Problems and Prospects for Improving the Tax System as Part of Tax Regulation in Russia

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Abstract. This article examines the issues related to tax regulation and prospective directions for improving the incentive component of the tax system of the Russian Federation. The aim of the article is to develop specific recommendations aimed at stimulating socio-economic processes through the reform of major taxes. In particular, the authors believe that the instruments of state tax regulation should be applied subject to the establishment of an optimal combination of stability and flexibility of the system of taxation of economic entities.

1 Introduction

The study of the issues and specifics of the impact of the tax system on the entrepreneurial activity of business entities shows that tax regulation has a multidimensional nature. It is important to understand that there is a fundamental difference between the regulation of financial and economic activities and revenues of budgets of all levels of the budgetary system [8].

We have to state that the result of tax reforms was the creation of the tax system in the Russian Federation, the mechanisms of which are maximally oriented and adjusted to ensure the revenue part of the budget system of the country. At the same time globalization of economy showed an urgent need in the formation of economic policy aimed at improving the competitiveness of domestic producers, labor productivity and aimed at sustainable rates of economic development. The key role among levers of economic regulation is given to tools of tax regulation which is expressed in formation of the major vectors of the state tax policy [1]. The state tax regulation in the given context should be directed on innovative development of domestic economy in the conditions of steady rates of growth of the latter [4].

Materials and methods. This study is based on the scientific works of domestic researchers in the field of problems of economic development, state tax regulation, improvement of tax policy.

To substantiate the key conclusions and provisions, the statistical data posted on the official websites of the authorized state bodies, which are visualized in the form of tables and figures, were used.

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A number of general and specific methods and techniques, including dialectical method of scientific knowledge, providing a comprehensive, objective nature of the study and a systematic approach to the consideration of problematic issues of application of the tools of state tax regulation were used in the work.

2 Research Methodology

As V.K. Giraev notes. [5], the key disadvantage of the tax system of the Russian Federation is the low efficiency of mechanisms for fair and equitable distribution of the tax burden, the consequence of which is the lack of objective incentives for economic entities to expand and modernize production, additional investment, etc. At the same time, as the author notes, reducing the tax burden on innovation and investment factor to increase production activity is a complex task, the solution of which is associated with positive and negative consequences for the economy and the budget system of the country.

On the one hand, the basis for the formation of state budget revenues is the taxable base, created by the production of goods and services. Expansion of the tax base is a key task within the framework of general economic policy, which is solved by reducing the tax burden, which leads to increased business activity of economic entities. Expansion of tax base is the future source of tax revenues of budgets of all levels of the budget system. The task of expanding the tax base is especially relevant for the territories.

On the other hand, it is necessary to recognize that an unfavorable investment climate is a serious obstacle to the development of economic activity [13]. This means that the reduction of the tax burden is not a key factor in increasing the business activity of economic entities.

In our opinion, it is possible to identify a number of drawbacks that negatively affect the development of the domestic economy due to the ineffective application of stimulating tools of state tax regulation.

3 Results and Discussions

First, the extraction of natural resources is a budget-forming industry. The share of the mineral extraction tax and the tax on additional income from the extraction of carbon raw materials is shown in Figure 1. As can be seen in the graph, the mineral extraction tax (MET) over the past 10 years occupies a traditionally high share (an average of 20% over the period under review) in the total volume of tax revenues to the budget system of the country.
Fig. 1. Share of MET and severance tax in the total volume of tax revenues to the budget system of the Russian Federation (Source: compiled by the author)

In addition to MET and the tax on additional income from the extraction of hydrocarbons (MET), the sphere of subsurface use is a source of generation of tax revenues and other major budget revenue taxes: income tax, personal income tax, excise taxes. Table 1 shows the data on tax revenues and levies in the field of mining.

Table 1. Structure of tax payments in the sphere of mining (thousand rubles)

<table>
<thead>
<tr>
<th>Payments to the consolidated budget of the Russian Federation</th>
<th>but not limited to</th>
<th>among them</th>
<th>among them</th>
</tr>
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<tbody>
<tr>
<td>Total payments</td>
<td>Federal taxes and fees, total</td>
<td>corporate income tax</td>
<td>PIT</td>
</tr>
<tr>
<td></td>
<td>Federal taxes and fees, total</td>
<td>corporate income tax</td>
<td>PIT</td>
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<td>to the federal budget</td>
<td>total</td>
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Source: compiled by the author
In addition to mineral extraction tax, such taxes as: corporate income tax (16.7%), value-added tax (15.5%), corporate property tax (14.5%), personal income tax (5.5%) account for the biggest share in the total volume of tax revenues in 2021.

Second, the Russian tax system is characterized by the predominant role of indirect taxes in the structure of federal budget revenues. Thus, in 2021 the federal budget received 15.9 trillion rubles. Of them 5.5 trillion rubles accounted for the value-added tax. Thus, one-third of the federal budget’s tax revenue is derived from indirect taxes (Rb 1 trillion in excise taxes in 2020). In this regard, analyzing the regulatory role of the tax system, the authors note that the high share of indirect taxes in the structure of state tax revenues turns the tax system into a destructive factor, as it leads to a significant reduction in consumption and, consequently, to reduced production.

Thirdly, Russian researchers highlight the problem of the lack of incentives for business entities to accumulate and invest financial resources in fixed and current assets. The dynamics of investment in fixed assets over the last 10 years is presented in Figure 2.
Fourthly, the Russian tax system is characterized by high instability of the tax legislation. There are still ambiguities and contradictions in some legislative and subordinate acts, which leads to the reduction of the efficiency of the practical implementation of the tax legislation.

Violation of the principle of tax system stability, according to a number of experts and specialists, leads to a decrease in the effectiveness of the regulatory levers of taxation in Russia. Evaluating some reforms in the sphere of taxation (abolition of the investment tax exemption for corporate income tax), V.G. Panskov [10] notes that the changes introduced into the tax legislation are of a piecemeal nature, which do not allow to fundamentally reform the mechanism of state tax regulation. The manifestation of such instability of the tax legislation is the acquisition by the tax mechanisms of a haphazard nature, which does not allow to have a stimulating effect on the development of the economy.

Discussion. Numerous studies conducted by scientists in the field of instruments and methods of state tax regulation confirm that the state meets resistance from taxpayers. The tax reform leads especially strongly to the opposite results in the conditions of tightening of tax procedures [12]. Besides, stimulation of separate branches of economy, kinds of activity, groups of taxpayers through tax preferences cannot be carried out without simultaneous increase of tax burden for other branches of economy. Thus, the declared course to achieve national development goals required the implementation of a structural maneuver in the tax sphere. For SMEs the insurance premium rates were halved, for IT companies the effective rate of insurance premiums was reduced to 5% and income tax to 3%. This maneuver is implemented against the backdrop of improving the mechanism of redistribution of natural rent in the industries of the mining and metallurgical complex (MMC). This situation violates the principle of balance of interests, which is considered in the theory of taxation as the most important economic basis for building a tax system. The principle of balance is manifested in the interrelation of the processes of filling the budgets and discouraging economic activity of an economic entity as a result of taxation [9]. Thus, unreasonable and ill-considered policy of increasing the tax burden or tightening tax procedures can lead to damage to the economy not only in the short term, but also in the long term, which is expressed in the compression of the taxable base. In this regard, the
tools of state tax regulation should be applied subject to the establishment of an optimal combination of stability and flexibility of the system of taxation of economic entities.

Taking into account the identified shortcomings of the tax system, in our opinion, it is necessary to apply more actively the tools of tax stimulation of social and economic processes through the reform of basic taxes. Prospective directions of reforms are presented in Figure 3.

In order to stimulate the redistribution of capital in favor of efficient owners, it is necessary to revise the mechanism of accounting for the losses received [7]. In our opinion, it is necessary to forbid the taxpayers, who received losses during three tax periods, to transfer them to the future tax periods. It is necessary to apply to them all the procedures of bankruptcy stipulated by the legislation of the Russian Federation.

To increase the efficiency of stimulating measures of tax regulation will lead to changes in the mechanisms of indirect taxation in order to reduce the negative impact on the entrepreneurial activity of business entities. This reform is caused by the peculiarities of nature of indirect taxation. Thus, indirect taxes can influence pricing. Also indirect taxes lead to the necessity to use turnover funds for payment of taxes that could affect financial stability of economic entity.

**Fig. 3.** Prospects for improvement of tax regulation in Russia (Source: compiled by the authors)

### 4 Conclusions
Transfer to the regional budgets of a part of VAT proceeds will result in the increased interest of regional government bodies to increase taxable base. Prerequisites for such reform in Russia already exist: existence of automated system of control over deductions and illegal VAT refunds from the state budget.

Conclusion. Thus, implementation of the above measures will lead to creation of favorable conditions for structural transformation of the domestic economy.

References

10. V. G. Panskov, Fiscal regulation as a tool to lift the economy (2019).