

Improving the Application of Special Tax Regimes in the Region

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Abstract—The article reflects the currently existing problems of taxation and considers the basis for the application of special tax regimes. The dynamics of tax revenues on the territory of the Kurgan region, in particular within the framework of special tax regimes operating in the region, is studied. There was a decrease in tax revenues to the consolidated budget of the region and a reduction in the number of taxpayers. The problems of application of the most popular special tax regimes in the region, such as the simplified tax system, the unified tax on imputed income, the patent tax system, are revealed. Recommendations for improving the application of special tax regimes by increasing the validity of the tax payments and reduce the tax burden to stimulate the development of small businesses, reducing the share of shadow economy, increase the tax base and number of taxpayers by increasing tax revenues to the consolidated budget of the region.

Keywords—taxes, taxation, special tax regimes, small business, economic growth.

I. INTRODUCTION

In the Russian Federation, along with the general tax regime, which is characterized by the complexity of settlements and a rather high tax burden, special tax regimes are applied for certain categories of taxpayers. Special tax regimes were introduced with the aim of reducing the tax burden, simplifying calculations and accounting for tax payments, attracting investments and, thereby, stimulating the development of certain categories of taxpayers, in particular small businesses. However, at present, there are a number of problems related to both taxation in general and the use of special tax regimes in certain regions, which leads to negative phenomena such as tax evasion, migration of taxpayers to other regions, reduction of the tax base and liquidation of entities small business. In this regard, attempts to substantiate recommendations on improving the special tax regimes operating in the regions seem relevant.

The purpose of the study is to find areas for improving the use of special tax regimes in the region. To achieve this goal, a number of tasks were set: to study the theoretical foundations of the use of special tax regimes in the Russian Federation, to analyze the dynamics of tax revenues in the Kurgan region, to suggest ways to improve the application of special tax regimes. The object of study is the Kurgan region. The subject of the study is the problems of applying special tax regimes in the region.

II. LITERATURE REVIEW

The problems of building an optimal tax system have been the focus of attention of economists in many countries for several years, since the level of economic development of a country largely depends on the effectiveness of the tax mechanism. In Russia, in the early nineties, a number of new taxes were introduced (including indirect ones - VAT, sales tax), tax calculations became more complicated, the tax burden increased significantly, which was one of the reasons for the massive tax evasion and a sharp economic downturn. In this regard, the need for a scientific justification of the ongoing tax reforms has been and remains very high. The need to improve tax institutions in order to transition to economic growth is evidenced by domestic and foreign researchers (V. P. Vishnevsky, L. I. Goncharenko, etc.) [1]. In order to develop proposals for improving tax policy and taxation, international scientific symposia are regularly held, for example, "Theory and Practice of Tax Reforms" in 2019 in Tomsk, but there are many unresolved problems in this area [2].

An important step in improving the tax system of the Russian Federation was the introduction in 1996 of special tax regimes for certain categories of taxpayers. The formation of each tax regime took place in stages, the first such regime was a simplified system of taxation, accounting and reporting for small businesses.

Most special tax regimes involve replacing the payment of the aggregate tax with a single tax, which greatly simplifies the calculations and reduces the tax burden for certain categories of taxpayers. The concept of applying special tax regimes is based on elements of the single tax theory, the founder of which is Henry George [3]. However, unlike the provisions of this theory, the transition to special tax regimes does not exempt the taxpayer from all taxes, but only from some (such as income tax, personal income tax, VAT, property taxes).

Article 18 of the Tax Code of the Russian Federation spells out the basics of applying special tax regimes [4]. The most important are the following conditions: the decision to switch to special tax regimes is voluntary for the taxpayer; upon transition to the regime chosen by him, the taxpayer must fulfill a number of established restrictions (in terms of the number of employees, the value of assets, the participation interest of other organizations); each special tax regime has its own tax rates, tax base and objects of taxation; within the

framework of the constituent entities of the Russian Federation, reduced tax rates may be provided. If a specific special tax regime is not selected by the organization or individual entrepreneur, it will automatically be transferred to the general tax regime.

In recent years, numerous changes have occurred in the tax sphere, which must be taken into account by the taxpayer when choosing a tax regime. The main elements of the special tax regimes currently in use are reflected in table 1.

TABLE I. ELEMENTS OF SPECIAL TAX REGIMES

Tax treatment	Tax object	Basic tax rate	Tax period	Reporting period
Unified agricultural tax	Income minus expenses	6%	Year	Half year
Simplified tax system	Income or income minus expenses	6% (income), 15% (income minus expenses)	Year	First quarter, half year, 9 months
Single imputed income tax for certain types of activities	Imputed income	15%	Quarter	-
Tax system for the implementation	Profit earned under the agreement	340 rubles per ton (mining tax), 20% (income tax), 0%, 10%, 20% (VAT)	Year	First quarter, half year, 9 months
Patent tax system	Potential annual income of an individual entrepreneur	6%, 4% (within the framework of the laws of the Republic of Crimea and the city of federal significance of Sevastopol), 0% (by the laws of the constituent entities of the Russian Federation)	Year	-
Professional income tax	Revenues from the sale of goods (works, services)	6% (upon sale to legal entities), 4% (upon sale to individuals)	Month	-

At the same time, the youngest tax regime is the professional income tax, which came into force in the framework of the experiment on January 1, 2019 in the city of Moscow, Moscow and Kaluga regions, the Republic of Tatarstan [5]. Starting from the second half of 2020, according to the Ministry of Finance, this tax regime is supposed to be extended to all regions.

III. RESEARCH METHODOLOGY

The methodological and theoretical basis of the study consisted of fundamental works in the field of taxation theory,

the works of leading Russian and foreign scientists on the problems of development and reform of the tax system. In developing recommendations for improving the application of special tax regimes, the concepts of tax limit theories were taken as a conceptual basis.

To achieve this goal, the following research methods were used: economic analysis and synthesis, economic and statistical analysis, monographic, analogies, comparisons, graphical and tabular methods of data presentation. The study was carried out on the basis of data from the Federal Tax Service, the Federal Statistics Service, and the Administration of the Kurgan Region, taking into account the provisions of federal and regional legislation governing taxation issues.

IV. RESULTS

A. Dynamics of tax revenues in the Kurgan region

The following types of taxes are levied on the territory of the Kurgan region: federal, regional, local, and special tax regimes are also applied (table II).

TABLE II. DYNAMICS OF TAX REVENUES IN THE KURGAN REGION, MILLION RUBLES

Type of taxes	2016 year	2017 year	2018 year	Specific weight, %		
				2016	2017	2018
Federal taxes	21,443.7	23,220.7	21,373.8	82.43	82.4	79.82
Regional taxes	2,612.3	2,738.9	3,146.7	10.04	9.72	11.75
Municipal taxes	606.2	773.0	754.09	2.33	2.74	2.82
Special tax regimes	1,350.1	1,439.6	1,502.2	5.19	5.11	5.61
Total	26,012.4	28,172.2	26,776.7	100	100	100

As can be seen from the table, special tax regimes occupy a small proportion, but it is through them that the authorities can change the business climate in the region, improving the conditions for small businesses at the regional level. The number of taxpayers in the Kurgan region is presented in table III.

TABLE III. DYNAMICS OF TAXPAYERS OF THE KURGAN REGION, UNITS

Taxpayers	2016 year	2017 year	2018 year	Variation (+,-)	
				2017/2016	2018/2017
Legal entities	15 167	13 860	13 228	- 1307	- 632
Individual entrepreneurs	17 287	17 291	17 503	4	212
Total	32 454	31 151	30 731	- 1303	-420

The number of taxpayers of legal entities is reduced as a result of the cessation of business. The number of taxpayers of individual entrepreneurs has grown, as registration rules have been simplified. In general, in the region there is a steady tendency to reduce the number of taxpayers [6]. A particularly significant outflow of taxpayers is observed from the territory of the city of Kurgan. According to the Federal Tax Service Inspectorate, travel to other subjects of the Russian Federation most often occurs. Factors limiting business activity include a high level of taxation, low solvent demand of the population, high payment costs, high interest on loans, and high rents [7].

In the Kurgan region, the following special tax regimes are applied: a simplified taxation system, a single tax on imputed

income, a patent taxation system and a single agricultural tax (table IV).

TABLE IV. DYNAMICS OF TAX REVENUES UNDER SPECIAL TAX REGIMES, THOUSAND RUBLES

Tax treatment	2016 year	2017 year	2018 year	Specific weight, %		
				2016	2016	2016
Simplified tax system	874 134	987 244	1 097 472	64,74	68.58	73.06
Single imputed income tax	361 249	337 326	295 661	26,76	23.43	19.68
Patent tax system	61 148	67 011	64 374	4,53	4.66	4.29
Unified agricultural tax	53 592	47 964	44 731	3,96	3.33	2.98
Total	1 350 123	1 439 545	1 502 238	100	100	100

The table shows that the largest share is occupied by such a special tax regime as the simplified taxation system, and single tax revenues for this regime are growing. The smallest specific gravity is accounted for by the unified agricultural tax, which can be explained by the specifics of this regime.

The Kurgan region lags behind other regions of the Ural Federal District in many ways. The region receives assistance in the form of subsidies due to the fact that the region is experiencing financial difficulties. So in 2019, the region is provided with a federal subsidy to equalize budgetary provision in the amount of 13 billion rubles, which makes up more than half of the revenue of the region's consolidated budget.

B. Recommendations for improving the application of special tax regimes

In world practice, the establishment of preferential tax conditions in problem regions is widely used with the aim of creating favorable conditions for their development and attracting taxpayers from other regions. The basis of this approach is the concept of the tax limit by A. Laffer, which suggests the possibility of increasing tax revenues while reducing the tax burden by increasing business activity, expanding the tax base, increasing the number of taxpayers and reducing the share of the shadow economy [8].

A similar practice can be applied on the territory of the Kurgan region. Due to the fact that special tax regimes occupy an insignificant share among the tax revenues of the consolidated budget of the Kurgan region (a little more than 5%), the establishment of the most favorable conditions for them will not lead to a significant reduction in budget revenues, but in the long run may lead to their significant growth (mainly due to the expansion of the tax base and the emergence of new taxpayers).

In the framework of the simplified tax system, it is proposed to introduce a moratorium on increasing tax rates for taxpayer organizations in the territory of Kurgan and the Kurgan region. A similar law was adopted on the territory of the city of Tyumen and its validity was extended for 2019. The main goal of such a moratorium will be to improve the business climate and reduce the outflow of taxpayers from the region.

According to the Tax Code of the Russian Federation, rates on the simplified taxation system can be set within the following limits (depending on the object of taxation) based on the law adopted by the subject of the Russian Federation:

- for the object "income" - in the range from 1 to 6 percent;

- for the object "income minus expenses" - in the range from 5 to 15 percent.

To date, a reduced rate of 10% for organizations and individual entrepreneurs in the Kurgan region applies only to the object of taxation "income minus expenses". The following areas of economic activity fall under the 10% rate: agriculture, fishing, hunting, forestry, fish farming; manufacturing industries; building; administrative and related services [9].

However, the number of taxpayers who use this object of taxation is less than those who use the "income" object, both among organizations and among individual entrepreneurs (table V).

TABLE V. DYNAMICS OF THE TAX BASE AND PAYERS ON THE SIMPLIFIED TAX SYSTEM

Indicators	Legal entities			Individual entrepreneurs and peasant (farm) enterprises		
	2016 year	2017 year	2018 year	2016 year	2017 year	2018 year
Tax base, thousand rubles						
Income	6%	7085543	7964055	4455571	6110819	8042148
Income minus expenses	6%	1267782	1266750	594581	598798	730334
The number of taxpayers, units	6185	6115	6038	5958	5636	6278

In recent years, the number of taxpayers-organizations has been reduced by 77 units, and the number of individual entrepreneurs has increased by 642 people. But at the same time, the number of those taxpayers who provide a zero return for both groups is increasing (by 112 for organizations and 273 people for individual entrepreneurs from 2017 to 2018).

In this regard, based on the experience of the neighboring region, it is proposed to establish in the Kurgan region the minimum rates for the simplified tax system that the Tax Code allows. A similar measure has been taken by the regional authorities in the Tyumen region since 2015 and its action has been extended for 2019. Until December 31, 2019, a rate of 5% for taxpayers who chose the object of taxation as income reduced by the amount of expenses without identifying activities and a rate of 1% for taxpayers who have chosen the object of taxation as income and carry out activities in the field information technologies. It is also proposed in the Kurgan region to set the minimum allowable rate of 5% for the "income minus expenses" object without highlighting the types of activities, including those for which the rate of 10% is currently set, and a rate of 1% for the "income" object.

The number of taxpayers-organizations on a single tax on imputed income from 2016 to 2018 decreased by 353 units, and taxpayers of individual entrepreneurs - by 416 people. The main reasons for this dynamics were: deregistration, migration to other regions, the choice of a different tax regime, and the closure of outlets.

Within the framework of a single tax on imputed income, it is proposed to create a standard that would address the issues of establishing a correction coefficient K2, since there is judicial practice to challenge this coefficient, on the basis of which the judicial authorities proposed to provide the necessary economic justification for the value of the established coefficient in order to resolve the dispute correctly. In accordance with the Tax Code, the value of this coefficient can be set from 0.005 to 1 inclusive, depending on the characteristics of doing business (type of goods, scope of activity, place of business, etc.). On the territory of the city of

Kurgan, the correction coefficient K2 is defined as the product of the sub-coefficients K2.1, K2.2, K2.3, K2.4 and K2.5.

It is proposed to involve the following public organizations representing business in the work to substantiate the values of the K2 coefficient: Reliance of Russia, the All-Russian Public Organization of Small and Medium Enterprises; Union of Entrepreneurs and Entrepreneurial Organizations of the Kurgan Region, regional public organization; Community of young entrepreneurs of the Kurgan region. Involving public organizations in making decisions on taxation of entrepreneurial activity would allow taking into account the interests of all parties and establishing reasonable values of the coefficients for calculating the single tax on imputed income.

The proposed main stages of the preparation of the standard "On the justification of the correction factor" are reflected in table VI.

TABLE VI. STAGES OF DEVELOPMENT OF THE STANDARD "ON THE ECONOMIC FEASIBILITY OF THE VALUES OF THE CORRECTION COEFFICIENT K2 FOR CALCULATING THE SINGLE TAX ON IMPUTED INCOME"

Stage number	The content of activities	Subjects involved
1	Formation of a group of experts competent in the field of the developed standard	Regional Duma, Administration, Federal Tax Service, public organizations
2	Study of the legislative framework on the basis of which the standard will be created	Regional Duma, Administration, public organizations
3	A study of entities applying a single imputed income tax	Territorial Tax Inspectorate
4	Identification of problematic activities and those for which the largest number of taxpayers is observed	Territorial Tax Inspectorate
5	Compilation of an analytical note on statistical results containing an expert opinion and its transfer to authorities	Territorial Tax Inspectorate
6	Elaboration by the authorities of questions about the economic condition of the region and business development, including in comparison with neighboring regions	Regional Duma, Administration
7	Taking into account information that in neighboring regions the coefficient K2 in some areas is lower	Regional Duma, Administration
8	Consideration of the possibility of establishing a minimum coefficient for the most significant activities	Regional Duma, Administration
9	Establishment of K2 coefficients taking into account information from the tax service and the economic condition of the region	Regional Duma, Administration
10	The rationale for each established ratio, including the number based on tax information	Regional Duma, Administration, public organizations
11	Holding a conference for entrepreneurs to discuss the accepted standard	Public organizations Regional Duma, Administration
12	Coordination of the standard with the current Decision of the Kurgan Regional Duma No. 256	Regional Duma, Administration
13	Preparation of an opinion on the proposed project with the calculation of budget revenue shortfalls	Regional Duma, Administration
14	Submission of a standard for consideration	Regional Duma

At the same time, to achieve a positive result in such a complex issue, it is necessary: the desire of all participants in the legislative process to obtain the optimal solution, the desire of the authorities to support business representatives, the systematic work of the Duma and the administration to

study the problems of taxation on a single imputed income tax, the joint activities of authorities with the tax inspectorate, and the involvement of organizations to legislative procedures. The passport of the proposed standard may look as follows (table VII).

TABLE VII. PASSPORT OF THE PROPOSED STANDARD "ON THE ECONOMIC JUSTIFICATION OF THE VALUES OF THE CORRECTION COEFFICIENT K2 FOR CALCULATING THE SINGLE TAX ON IMPUTED INCOME"

Indicator	Content
1. Name of standard	"On the justification of the correction coefficient K2 for calculating the single tax on imputed income in the city of Kurgan"
2. Responsible executor of the program	Administration of the city of Kurgan
3. The partners of the program	Kurgan regional Duma, Federal tax service, organizations of entrepreneurs of Kurgan region
4. Objectives of the standard	To substantiate the values of the correction factor of the single tax on imputed income with statistical, regulatory, analytical data in order to remove uncertainty
5. The tasks of the standard	- the establishment of reasonable values of the coefficient; - the desire of all participants in the process to obtain the optimal solution; - involvement of public organizations in legislative procedures; - support for taxpayers.
6. Target indicators and indicators of the standard	The value of the correction factor from 1 to 0.005
7. Terms of implementation of the standard	The standard is valid until 2021

Thus, when adopting this standard, the problem of insufficient validity of establishing the K2 coefficient, which is important in calculating the tax burden on small businesses, is solved, the occurrence of conflicts and litigation involving the judiciary is eliminated.

Revenues from the patent system of taxation account for approximately 5% of the revenues received under the special tax regimes in the consolidated budget of the Kurgan region. The number of taxpayers applying this tax regime is sharply reduced in 2018 and amounts to 567 people, there is also a decrease in the number of patents granted by 34 units. For the period 2016-2017 the number of taxpayers increased by 7 people. At the same time, in 2017 there were 11 individual entrepreneurs who applied the patent system with a tax rate of 0%, and in 2018 their number also decreased and amounted to 5 people. In this regard, we can highlight the problem associated with the high cost of the patent, which does not reduce even the deduction for the purchase of cash registers.

It is possible to reduce the cost of a patent due to the size of potential income taking into account the indexation coefficient. So, the maximum amount of annual income is subject to indexation by the deflator coefficient established for the corresponding calendar year, which in 2019 amounted to 1,518. Moreover, if the authorities of a constituent entity of the Russian Federation adjusted the amount of annual income by a deflator coefficient, then the tax authorities take into account the potential income when calculating, taking into account indexation. If the law of a constituent entity of the Russian Federation did not increase income by a deflator coefficient, then indexing is not allowed.

On the territory of the Kurgan region, the size of the potential annual income for individual entrepreneurs by type of entrepreneurial activity is subject to indexation by a coefficient depending on membership in groups of municipalities:

- 1 group - the city of Kurgan, the municipality - the city of Shadrinsk, with a coefficient of 1;
- 2 group - other municipalities, with a coefficient of 0.7 [10].

For the city of Kurgan, it is proposed to set the indexation coefficient equal to 0.6, and for other municipalities - 0.5. Establishing an indexation coefficient lower than before can be justified by the large size of the potential income.

As a result of the implementation of the proposed measures, the tax burden will decrease, the validity of tax payments will increase, which will help stimulate the development of small businesses in the region.

V. CONCLUSIONS

None of the existing special tax regimes works perfectly, taxpayers often face problems with their application.

The paper offers recommendations on improving the regional tax policy in relation to small businesses, which can not only increase the tax revenues of the regional budget in the future, but also help to cope with a number of existing problems. The implementation of these recommendations is aimed at reducing the tax burden on the territory of the Kurgan region, which can stop the outflow of taxpayers to neighboring regions, attract entrepreneurs from other regions, stimulate the development of small businesses and the growth of the tax base, and reduce the share of the shadow economy. Despite the fact that the region's budget for the first time may lose a certain amount of income due to the proposed measures, if the business climate improves, the outflow of taxpayers will decrease and there may be an influx of new ones attracted by a lower tax burden, which in the long run will increase the region's tax revenue.

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