

Administration of VAT on Export-Features and Challenges

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Abstract. In any country the special attention is paid by the government, regulatory authorities, regional management and entrepreneurs to the taxation of enterprises engaged in foreign economic activity. Export activity is a special kind of business activity with special conditions of control and benefits provided, at one time, this type of activity is labor-intensive enough, requiring the high qualification and practical experience from employees of inspection bodies. The main problem in the accounting of VAT on exports is the problem of confirmation of the preferential VAT rate and the procedure for VAT refund paid by the exporter in the domestic market, and declared VAT refund (on the account of the exporter – from the Federal budget). The main problems in VAT reimbursement have long been identified in many countries, first of all – the unreasonableness of compensation, the laborious process of VAT accounting, the insignificant influence of exporters – on the development of the region where they are registered and operate, etc.

In a crisis there is a need to revise or cancel some benefits that have been in effect for many years. The issues of investment of free funds of enterprises in the country's economy are important; the exporters are required to be investors in many important programs for the development of the national economy. There is also a need to re-evaluate the current benefits, assess their effectiveness, the impact of existing benefits on economic growth at the regional and Federal levels using an international experience.

1. Introduction

Value added tax is one of the important taxes that affect the size of the Federal budget and many economic indicators. The system of administration of this tax is quite complex and labor-intensive because it involves a number of benefits for which the enterprises need to issue a variety of documents and pass tax inspection. At the same time this process for the formation of financial statements as a result allows you to get (reimburse) paid in the domestic VAT market on the accounts of exporting enterprises (in significant amounts) [1, 3, 5]

Initially, the approved VAT benefits had a specific purpose - access to the world market, attraction of foreign currency, development of specific industries, for this reason - exporters received significant advantages:

1). Do not pay VAT on income;

2) VAT paid in the domestic market shall be refunded to the Bank account. However, over time, in many countries - these benefits have changed (in the direction of reduction). For Russian enterprises, the ex-port privilege remains, and today enterprises operating only in the domestic market are not equal with enterprises exporting, such a situation violates the principle of fairness of the tax system.

2. The relevance of the study

At present, the analysis of existing VAT benefits is paid little attention, meanwhile - the adjustment of benefits in a crisis - is a prerequisite for solving social and economic problems.

3. Statement of goals and problem

This study is aimed at identifying problems in the VAT administration system and developing recommendations for their elimination in modern conditions.

4. Degree of knowledge of problems

Exporting enterprises in many countries have special favorable conditions for achieving the main goal – entering the world market, attracting the foreign exchange funds, developing a specific industry, etc. In fact, VAT is divided into two unequal parts:

1. VAT - from revenue - payable (for non-exporters);
2. VAT - to be reimbursed (for enterprises - having a VAT exemption (for example, exporting enterprises)).

In different countries the VAT in export operations is calculated differently, but everywhere it is one of the most difficult. The VAT is quite complex in the procedure of calculation, compensation, control (this is indicated by economists, lawyers, entrepreneurs) in the Russian Federation [2.4]. In recent years, changes have been made to the Tax Code but these are only minor additions that do not affect the efficiency of VAT collection and calculation. Exporters for many years are in more favorable conditions for the calculation and payment of VAT, they have significant advantages (benefits) for one of the large taxes. However, any benefits should have a specific purpose such as the development of specific industries (or regions), replenishment of the budget, expansion of investment, job creation, etc. [10, 6].

One of the problems today is:

1. The significant pressure of VAT on domestic producers (rate increased by 2% to 20% in 2019).
2. The preservation of benefits for exporting enterprises (they do not pay VAT on revenue, they reimburse the tax paid in the domestic market, in the preparation of goods (works, services) for export.

Thus there are today significantly unequal conditions for the implementation of production programs for domestic entrepreneurs and enterprises engaged in export. [7, 9, 11].

Enterprises operating on the domestic market often cannot pay VAT to the federal budget in a timely manner, and with an increase in the VAT rate, the amounts due can increase accordingly - and fines (for late payments), which will worsen the financial condition of enterprises (non-exporters). Surveys of managers of small and medium enterprises show that the main problems for the effective operation of enterprises are: lack of own funds, the need to modernize equipment.

Figure 1 shows a graph of debt volumes of non-exporting enterprises.

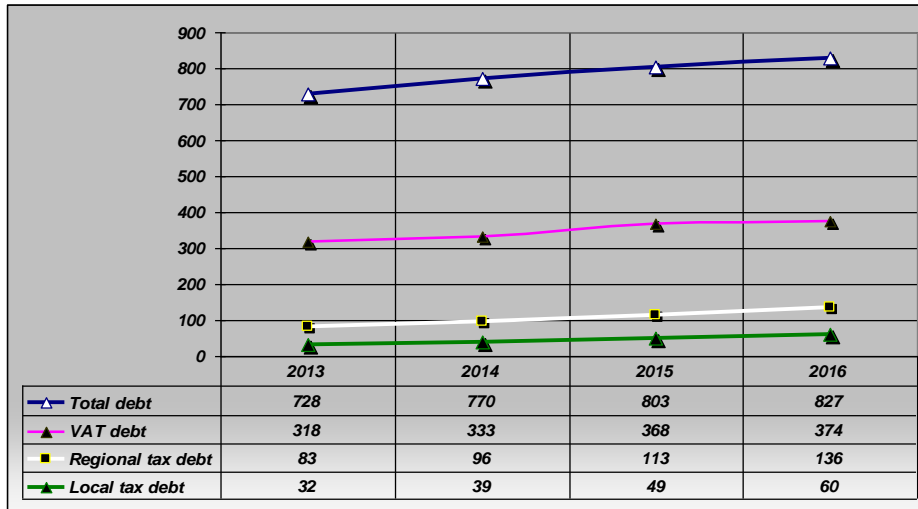


Figure 1. Dynamics of tax debts to the consolidated budget of the Russian Federation.

As you can see, the debt is growing and with the increase in the VAT rate it can increase. Therefore, to eliminate the growing VAT debt in the budgets of different levels, it is necessary to develop and implement a mechanism of interaction when the benefits provided for exporting enterprises should have a positive impact on the development of those enterprises that experience certain difficulties that is the benefits in a positive way should influence the development of important production structures in the territory, for example, of a particular region. Then it is possible to achieve the fulfillment of one of the important principles of the tax system - the principle of justice [18, 20].

There is written enough about the problems of VAT on exports and the views of the authors are different, for example, many of them point to the problems associated with the procedure of compensation, noting the long terms of tax audits, as a result - many enterprises have problems with the availability of working capital, their activities are suspended, etc., however, exporting enterprises should not hope for a speedy VAT refund, considering it the basis of their successful development, it is more logical to determine the value of net profit as the basis of dynamic development [13, 21].

5. Experimentation

Thus, VAT "recoverable" cannot be the basis for the successful development of the exporting enterprise. VAT reimbursed should be in the form of encouragement and support in a small amount, ensuring the financial stability of the company with changes in prices; first of all, this applies to exporters of raw materials [12, 15].

First of all, the enterprises exporting the finished products should receive the significant benefits. The exporters must:

1) to understand and to accept all changes in the legislation of the country, to take into account national and regional interests, to develop their activities taking into account the national problems.

2) if exporting enterprises do not invest to the development of regions or specific industries it would be more logical to cancel the system of VAT refund paid by them in the domestic market. That is, in the VAT administration system for export is to enter the following items:

- the reimbursement from the budget can be received by those enterprises which invest the reimbursed VAT in the development of production structures in the region by a certain percentage; [14, 17]

- the exporters, as well as other enterprises, should develop additional activities (selling goods, works, services –in the domestic market) to reduce the possible risks;

- the exporters must be the participants of innovative projects also, as the world market is dynamic enough, and a constant profit can be obtained with the introduction of advanced technologies only;

- using the experience of other market participants will always find the best solutions for the effective development of any enterprise.

Another problem with VAT accounting for exports is:

- the significant volume of document flow, many researchers have long offered to convert all accountability into the electronic reports in order to eliminate re-document flow at different levels of checks;
- the terms of inspections by the tax services are quite large in time also, which negatively affects the dynamic development of enterprises, leads to a decrease in the effective use of working time;
- the problems include a long period of VAT refund (to receive funds to the account in a short time does not work).

As for other countries, each country has its own difficulties and peculiarities in VAT accounting, for example, the terms of VAT registration in Kazakhstan and Kyrgyzstan are rather short, a more rigid and detailed system of VAT refund is in Belarus, the shortest terms of VAT confirmation is in Armenia.

The lowest VAT rate is equal to 8% in Japan, it may increase to 10% in 2019 (in the event that there are no special economic shocks), and the compensation from the budget to exporting enterprises is not provided. According to the author, there is an optimal system of VAT regulation in exports in China, for example: [16, 19]

- the strict control in obtaining preferential VAT rates was approved;
- the restrictions on the export of raw materials were approved;
- the considerable attention is paid to VAT administration issues. The value of VAT in different industries of China may be different in the context of individual industries;
- VAT is designed to encourage the manufacturers to upgrade their technologies and equipment;
- the government makes to invest in research;
- it is possible to expand production and occupy segments of the world market with new goods and services.

6. Conclusions

As a result, it can be noted that the system of VAT accounting, rates and benefits requires constant attention and analysis, identification of factors that reduce economic growth. In the context of industries or regions of the country, the system of VAT administration – should be mobile, positively affecting the development of both domestic and foreign markets, taking into account national interests and the use of international experience [18].

The activities of exporting enterprises should have a specific goal to promote economic growth in the domestic market and in the region where they are registered, and the main principle of the government should be the strategic planning, taking into account negative factors at the macro and micro levels, in order to effective development of territories through effective tax planning. Therefore, in conditions of crisis it is necessary to use new methods and systems of taxation of exporting enterprises, the basis of which would be the common interests. The particular attention should be paid to the system of existing benefits, and on the basis of qualitative analysis of their application, measures should be taken to obtain a greater effect from the activities of enterprises (beneficiaries). A program of reforming the existing benefits is needed, especially for those exporters who do not produce finished products, but only export raw materials. It is necessary to introduce a mechanism of calculations, in which the export of raw materials will not be profitable, first of all, the enterprise itself. With the abolition of benefits for exporters of raw materials the entrepreneurs will be able to solve many problems for the further development of export activities themselves, as they have:

- significant business experience;
- financial resources;
- commercial relations in many markets.

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