Regulatory role of taxes in formation of incomes of various levels budgets in the Russian Federation

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Abstract. In this article, we conducted a thorough analysis of the formation of various levels budgets over a long period (from 2003 to 2017 for the federal budget, from 2008 to 2017 for consolidated budgets of the Russian Federation subjects), revealed the insignificant role of taxes assigned to individual budgets in budget revenues, a weak regulatory function of taxes, especially in the budgets of the Russian Federation subjects and municipalities, in budgets of which the role of uncompensated receipts prevails. The study showed a highly financial dependence of the regions and municipalities on the federal center. Held for the period from 2011 to 2017 the rating showed a sharp differentiation of regions in terms of socio-economic development. Deficit characterizes both the federal budget and the budgets of regions and municipalities, which is primarily due to the imperfection of the existing fiscal mechanism in the country.

1. Introduction

The Russian economy is currently developing in difficult, contradictory conditions, experiencing the effect of a number of positive and negative factors (economic sanctions, etc.). The provisions of the European Charter of Local Self-Government adopted by the Council of Europe in 1985 and ratified by the Russian Federation in 1998, according to which the financial resources of local governments should be commensurate with the powers granted to them by the Constitution or the law, remain also relevant for the Russian economy. It is about financial support of all functions that are vested in the authorities of various levels.

The history and experience of industrialized economic systems justify the need for government intervention in economic processes. Moreover, the ideas of scientists and statesmen are differentiated with respect to the degree of state regulation. In the theses “on the invisible hand” of A Smith and J Gelbreit, the active role of the state is justified, while M Friedman and J Stigler, on the contrary, insisted on restricting the actions of state authorities. Moreover, all schools were unanimous in their opinion about the need for state regulation [1-3].

Another reason for the need for tax regulation is the balance of government revenues and expenditures. Such a process is carried out through the selection of government decisions in the field of forming a system of state revenues, directions of budget financing and subsidizing. To support the existing permanent structure, as a consequence of the already adopted state decision on management methods, the state requires more and more financial resources annually, which leads to an increase in tax payments or an expansion of public debt, for the repayment of which it is again necessary to seek additional financial resources [4].
In accordance with the Budget Code of the Russian Federation, the budget is a form of formation and expenditure of a monetary fund intended for financial support of the tasks and functions of the state and local governments. The budget is necessary for any state to meet its needs for a centralized monetary fund, serving to perform economic, political and social functions.

The budget code of the Russian Federation establishes the principles of the budget system of the Russian Federation, such as the principle of delimiting income, expenditure and sources of financing budget deficits between the budgets of the Russian Federation budget system, the principle of budget independence, the principle of budget balance, etc. The principle of budget autonomy among others means that state authorities and local governments themselves have the right and obligation to ensure the respective budgets balance and budget utilization efficiency. According to the principle of budget balance, the volume of budget expenses must correspond to the total amount of budget revenues and the sources of financing its deficit. The principle of complete reflection of incomes, expenditures and sources of financing budget deficits means that all revenues, expenditures and sources of financing budget deficits must be obligatory and fully reflected in the respective budgets.

Taxes, in their turn, are the main sources of state revenue formation and covering its expenses, and act as important factors of economy state regulation. In the process of taxation, the state affects the economy of enterprises, imposing tax liabilities on them. Tax regulation covers not only individual economic entities, but also the entire economy. So, in the course of distribution and redistribution of gross domestic product, the fiscal (distributional) and regulatory roles of taxes are realized.

The purpose of this study is to study the regulatory role of taxes, which is intended to solve certain tasks of the state tax policy through tax mechanisms and assume the influence of the current tax system on economic processes and trends occurring in global society.

2. Experiment
The analysis of various levels budgets formation over a long period (from 2003 to 2017 for the federal budget, from 2008 to 2017 for consolidated budgets of the Russian Federation subjects) was carried out, the role of the current fiscal mechanism, the role of taxes assigned to individual budgets, budget revenues, uncompensated revenues allocated from the budgets of the Russian Federation budget system. The study showed a highly financial dependence of the regions and municipalities on the federal center, which is primarily due to the imperfection of the current tax and budget mechanism in the country.

Statistical data of Rosstat, official materials of RIARATING Rating agency for 2010-2017, regulatory documents, positions of various authors on the issues studied were used in writing this article.

3. Results and discussion
The following main results were obtained during the research:
1. The current tax system does not fulfill its main function, i.e. does not contribute to the normal functioning of the economy and economic development of territories. The budgets of all levels are dominated by a budget deficit (Table 1).

| Table 1. Revenues and expenses of the consolidated budget of the Russian Federation for 2010-2017 (% of GDP). |
|-------------------------------------------------|---|---|---|---|---|---|---|
| Indicators                          | 2010 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Income                             | 34.6 | 35.0 | 34.4 | 34.3 | 33.3 | 32.8 | 33.4 |
| Costs                              | 38.0 | 34.6 | 35.6 | 35.4 | 36.8 | 36.4 | 34.9 |
| surplus, deficit (billionrubles)   | –1.584.7 | 260 | –848 | –846 | –2.819 | –3.142.1 | –1.349.1 |
| the same, in% of GDP               | –3.4 | 0.4 | –1.2 | –1.1 | –3.5 | –3.7 | –1.5 |
In all the periods listed in Table 1, except for 2012, consolidated budget of the Russian Federation has a deficit. According to the RIARATING Rating Agency the budget deficit had (figure 1):
- in 2010 – 63 subjects, while consolidated budget deficit is more than 10% of own revenues in 25 regions;
- in 2011 – 57 subjects, while consolidated budget deficit is more than 10% of own revenues in 18 regions;
- in 2012 – 67 subjects, while consolidated budget deficit is more than 10% of own revenues from 21 regions;
- in 2013 – 77 regions;
- in 2014 – 74 regions, while in 7 regions the budget was executed with a deficit exceeding the maximum permissible values of the RF Budget Code, while the total number of intergovernmental transfers types in 2014 exceeded 100;
- in 2015 – 76 regions, while the share of subsidies exceeds 10% of own revenues in 36 regions;
- in 2016 – 56 regions;
- in 2017 – 46 regions.

![Figure 1. Dynamics of regions number with a budget deficit.](image)

According to Figure 1 the number of regions with a budget deficit is growing from year to year, and in 2015 it is equal to 76 regions and from 2016 it is starting to decrease.

2. The role of regional and local taxes in the formation of revenues of consolidated budgets of the Russian Federation subjects is insignificant (Table 2).

| Table 2. Revenues of consolidated budgets of the Russian Federation subjects for 2003-2017. |
|-----------------------------------------------|-------------------------------------------------|
| **Indicators**                                | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** |
| Revenues – total                              | 1,930.4  | 2,403.2  | 2,999.9  | 3,797.3  | 4,828.5  | 6,198.8  | 5,926.6  | 6,537.3  |
| Revenues of targeted budget funds and from entrepreneurial activity | 146.9    | 199.6    |          |          |          |          |          |          |
| Tax revenues                                  | 1,341.1  | 1,787.8  | 2,247.5  | 2,771.0  | 3,638.9  | 4,382.2  | 3,793.3  | 4,519.9  |
| Revenues – total                              | 100      | 100      | 100      | 100      | 100      | 100      | 100      | 100      |
| Non-tax revenues                              | 156.7    | 200.0    | 310.0    | 423.3    | 544.6    | 611.9    | 514.5    | 505.8    |
| Revenues of targeted budget funds and from entrepreneurial activity | 8.1      | 8.3      | 10.3     | 11.1     | 11.3     | 9.9      | 8.7      | 7.7      |
| Tax revenues                                  | 69.5     | 74.4     | 74.9     | 73.0     | 75.4     | 70.7     | 64.0     | 69.1     |
Continuation of Table 2.

| Indicators | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------|------|------|------|------|------|------|------|
| Revenues – total | Revenues of targeted budget funds and from entrepreneurial activity | Non-tax revenues |
| billion rubles | 7,644.2 | 8,064.5 | 8,165.1 | 8,905.7 | 9,308.2 | 9,923.8 | 10,758.1 |
| % | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| billion rubles | 602.4 | 584.2 | 621.9 | 684.8 | 700.0 | 715.4 | 780.9 |
| % | 7.9 | 7.2 | 7.6 | 7.7 | 7.5 | 7.2 | 7.3 |
Data from Table 2 shows that compared to 2003, revenues of consolidated budgets of the Russian Federation subjects increased 5.6 times in 2017, including non-tax revenues – 5 times, tax revenues – 6.1 times. At the same time, the share of tax revenues in the total amount of revenues increased from 69.5% in 2003 to 76.3% in 2017. During the period under review, local taxes increased 5.8 times, including tax on property of individuals – 20 times, land tax – 4.8 times. The share of local taxes in the revenues of consolidated budgets of the Russian Federation subjects decreased from 3.1% in 2003 to 2.6% in 2017. The share of tax on property of individuals increased from 6.0% in 2003 to 21.9% in 2017 in the total amount of local taxes, which was caused by introduction of the procedure for calculating the taxable base premised on the cadastral value of the property. The share of land tax decreased from 94.0% in 2003 to 78.1%.

Regional taxes for the period increased by 6.7 times, their share in the revenues of consolidated budgets of the Russian Federation subjects is insignificant (11.3% in 2003, 12.4% in 2017). In the total

| Tax revenues | billion rubles | % | billion rubles | % | billion rubles | % | billion rubles | % | billion rubles | % | billion rubles | % | billion rubles | % |
|--------------|---------------|---|---------------|---|---------------|---|---------------|---|---------------|---|---------------|---|---------------|---|
| 1. local taxes: | | | | | | | | | | | | | |
| - tax on property of individuals | 12.2 | 141.0 | 156.6 | 177.6 | 185.1 | 176.4 | 186.0 | 95.0 | 96.2 | 88.9 | 87.5 | 86.8 | 85.9 | 83.0 | 78.1 | 11.3% | 12.4% |
| - land tax | 12.2 | 141.0 | 156.6 | 177.6 | 185.1 | 176.4 | 186.0 | 95.0 | 96.2 | 88.9 | 87.5 | 86.8 | 85.9 | 83.0 | 78.1 | 11.3% | 12.4% |
| 2. regional taxes: | | | | | | | | | | | | | | |
| - tax on property of organizations | 46.7 | 536.4 | 615.3 | 634.7 | 712.6 | 764.7 | 856.3 | 168.0 | 104.0 | 10.8 | 12.2 | 11.7 | 12.4 | 12.0 | 12.4 | 6.0% | 21.9% |
| - transport tax | 83.2 | 90.2 | 106.1 | 117.5 | 140.0 | 139.1 | 154.9 | 95.0 | 15.1 | 14.3 | 14.6 | 15.5 | 16.3 | 15.3 | 15.2 | 1.7% | 5.2% |
| - tax on gambling business | 0.1 | 2.9 | 4.6 | 5.2 | 6.2 | 8.1 | 9.9 | 66.0 | 0.5 | 0.7 | 0.7 | 0.7 | 0.9 | 0.9 | 0.9 | 0.9% | 0.9% |
| 3. tax on comprehensive income: | | | | | | | | | | | | | | |
| - STS | 215.2 | 271.7 | 292.8 | 315.1 | 347.7 | 388.5 | 446.9 | 142.1 | 4.1 | 4.7 | 4.9 | 4.9 | 5.0 | 5.1 | 5.4 | 33 times |
| - UTII | 66.0 | 69.7 | 72.6 | 73.1 | 73.8 | 73.9 | 77.2 | 66.0 | 0.5 | 0.7 | 0.7 | 0.7 | 0.9 | 0.9 | 0.9 | 0.9% | 0.9% |
| - SAT | 32.3 | 28.9 | 25.4 | 24.4 | 22.6 | 19.1 | 15.8 | 32.3 | 3.6 | 3.8 | 4.0 | 4.7 | 7.4 | 11.4 | 11.9 | 0.1% | 0.1% |
| - PST | 3.6 | 1.4 | 1.4 | 1.5 | 3.2 | 2.9 | 2.7 | 1.7 | 1.9 | 3.4 | 5.2 | 7.6 | 11.2 | - | - | - | - |
| Uncompensate receipts | 1768.8 | 1680.1 | 1576.6 | 1728.3 | 1683.0 | 1634.5 | 1771.7 | 8573.6 | 23.1 | 20.9 | 19.3 | 19.4 | 18.1 | 16.5 | 16.4 | - | - | - |
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amount of regional taxes, the share of tax on property of organizations prevails (87.8% in 2003, 83.9% in 2017). The value of the transport tax increased from 16.5 billion rubles in 2003 to 154.9 billion rubles in 2017, or in other words it increased by 9.4 times, which is explained by the introduction of transport tax rates in the Russian Federation subjects on the maximum stipulated by chapter 28 of the Tax Code of the Russian Federation values, as well as by the introduction of increasing ratios for cars with an initial value of 3 million rubles and higher. Despite this, the share of transport tax in the total amount of regional taxes is small (10.9% in 2003 and 15.2% in 2017). The share of the tax on gambling business decreased from 1.3% in 2003 to 0.9% in 2017.

Thus, regional and local taxes in consolidated budgets revenues of the Russian Federation subjects are insignificant. So, regional and local taxes amounted to 192.5 billion rubles in 2003, or 14.3% of the total amount of tax revenues and 10.0% of the total amount of revenues; and 1,259.3 billion rubles in 2017, (an increase by 6.5 times), or 15.3% of the total tax revenues and 11.7% of the total revenues of consolidated budgets of the Russian Federation subjects. The conclusion that “the available sources of local budgets income do not create prerequisites for the effective performance of the functions of local self-government and development of the local economy” is confirmed [5]. “Regional bodies often have lack incentives for the effective use of budget funds, building up and increasing their own tax potential” [6].

The main problems of the current fiscal mechanism in the country include the effective distribution of tax payments between the federal budget, budgets of the Federation subjects, as well as municipalities; the distribution of tax revenue sources among the subjects and the fair distribution of sources for the budgets revenue base formation of all levels in a territorial context.

The current distribution of taxes at the levels of budgets does not comply with the principle of equity. It was concluded during the analysis of tax revenues into the federal budget for the period from 2003 to 2017, that “the tax revenues of the federal budget are fully generated from 4 taxes classified as federal: corporate income tax, VAT, payment for natural resources, excise taxes. These taxes amount to 111,451,243.8 million rubles in consolidated budget of the Russian Federation, 81,872,537.1 million rubles of which go to the federal budget or 73.5%, only 29,578,706.7 million rubles, or 26.5%, remain in consolidated budgets of the Russian Federation subjects” [7]. The task of establishing a balance between social and economic conditions of society, ensuring its social stability, as well as stimulating the growth of social production efficiency can be solved by introducing a tool "subject-oriented tax rate".

“Among tax revenues, forming about a third of the total municipalities revenues, personal income tax continues to play a leading role” [8], which is clear from Table 2. The share of federal income tax, credited to the regional budgets and local budgets according to norms, is equal to 455.7 billion rub. in 2003 or 34.0% of tax revenues (2.4 times more than regional and local taxes; 3,252.3 billion rubles in 2017 (growth by 7.1 times), or 39.6% of tax revenues (2.6 times more than the value of regional and local taxes).

The plight of regional budgets is a consequence of the fact that “since 1998, the legislative bodies of the Russian Federation issued regulatory documents that significantly cut down the revenue sources of regional and local budgets, which led to the loss of own financial resources, and reduction of income powers of regions and municipalities, and as a consequence the reduction of their activities to expand the tax base of territories under their jurisdiction” [9].

Such documents were the federal law from 02/22/1999 No. 36-FZ “On the federal budget for 1999”, which reduced the share of VAT in the regional budgets from 25 to 15% (while reducing the tax rate from 28 to 20%); federal law from 12/27/2000 No. 150-FZ “On the federal budget for 2001”, according to which VAT (at the rate of 18%) in full volume started to be credited to the FB; Chapter 25 of the Tax Code of the Russian Federation, which in 2002 abolished the municipal 5% rate and fixed a part of the rate of the new corporate income tax (2% of 24%) for local budgets and 17% for regional budgets; other regulations that reduced the amount of local taxes from 23 to 2, and regional ones from 5 to 3. In 2005 the municipal rate was abolished and the tax began to be fixed to budgets of the subjects in the amount of 17.5% (out of 24%), in the amount of 18% (out of 20%) since 2011.
Nowadays only three taxes remain fully in regions: tax on gambling business, transport tax and tax on property of organizations.

3. The share of intergovernmental transfers is significant in consolidated budgets of the Russian Federation subjects.

As indicated in table 2, the share of uncompensated receipts was 285.7 billion rubles, or 14.8% of the total income of consolidated budgets of the Russian Federation subjects, by 2017 it increased to 1,771.7 billion rubles, or an increase by 6.2 times, and amounted to 21.6% of the total budget revenues. “During crisis periods economic entities need additional support from the state, as their level of financial stability, sales volumes and profits decrease” [10].

The key form of intergovernmental transfers from the federal budget are subsidies to equalize the fiscal capacity of the Russian Federation subjects, based on the level of the estimated fiscal capacity of the regions, determined by the ratio between the estimated tax income per resident and the same average index for consolidated budgets of the Russian Federation subjects.

The European Charter of Local Self-Government, adopted on 10/15/1985 by the Congress of Local and Regional Authorities of the Council of Europe, and ratified in 1998, requires financial resources of local governments are proportionate to the powers granted to them by the Constitution or by law. “According to the calculations of the Institute of Socio-Economic Development of the Territories of the Russian Academy of Sciences, in 53 out of the 70 administrative centers of Russia the provision of income per inhabitant was below the average value in 2015” [11].

According to the RIARATING Rating Agency, the amount of budget revenues per resident varies from 35.14 thousand rubles in the Republic of Dagestan to 610.95 thousand rubles in the Chukotka Autonomous Region in 2017. “The imbalance of the national budget system is one of threats to the sustainable social and economic development of the country, which is noted in the Presidential Decree of May 13, 2017 No. 208“ On the Strategy of the Economic Security of the Russian Federation for the period until 2030 ”. The regions have budget indebtedness, a strong debt load will lead to serious territorial disproportions” [12].

On January 1, 2017, the total debt of the regions was at 20% of the subjects' own incomes. According to the RIARATING Rating Agency, the total amount of public debt of all the Russian Federation subjects and the debt of municipalities that are part of subjects was 2.68 trillion rub. on January 1, 2018. The number of regions in which state debt exceeds tax and non-tax budget revenues was 7. The level of debt burden increased in 22 constituent subjects of the Russian Federation, among which in seven by more than 10% (Table 3).

| Cluster | Number of regions in 2014 | Number of regions in 2016 | Regions in 2016 |
|---------|--------------------------|--------------------------|-----------------|
| 1 – regions with a large budget deficit | 19 | 3 | St. Petersburg, Republic of Crimea, Krasnoyarsk Territory |
| 2 – regions with moderate budget deficit | 34 | 28 | Republic of Mordovia, Udmurtia, Kirov region, Nizhny Novgorod region, Samara region, etc. |
| 3 – regions with conditionally balanced budget | 25 | 40 | Republic of Dagestan, Republic of Ingushetia, Republic of Mari El, Republic of Tatarstan, Chuvash Republic, Perm Territory, Ulyanovsk Region, etc. |
| 4 – regions with moderate budget surplus | 4 | 13 | Moscow region, Republic of Bashkortostan, etc. |
| 5 – regions with a large budget surplus | 5 | 1 | Moscow |
Thus, a clear differentiation of regions by financial sustainability is evident in the regional structure. In such regions as the Republic of Ingushetia, the Chechen Republic, and the Republic of Dagestan, the share of uncompensated receipts is respectively 86%, 78%, and 72% of the total share of budget revenues. Such a significant difference is explained by the specific characteristics of each region, due to the uneven distribution of natural resources. All factors “can be divided into 4 main groups: economic, political, demographic, and cultural” [13].

4. The current tax system does not stimulate the development of small business.

Table 2 shows the taxes paid by a small business, called “Tax on comprehensive income”. In accordance with the current fiscal legislation, taxes paid by small businesses are not transferred to the federal budget, but are transferred to: UTII and SAT to local budgets, STS and PST to regional budgets and are the revenue source of consolidated budgets of the Russian Federation subjects.

The value of the tax on comprehensive income increased from 20.8 billion rubles to 446.9 billion rubles in 2017 compared with 2003, or an increase by 21 times (with a total increase in tax revenues by 6.1 times). Despite this, the share of small businesses in tax revenues of consolidated budgets of the Russian Federation subjects remains insignificant (1.5% in 2003 and 5.4% in 2017). At the same time, the STS is 49.5% in 2003 and 77.2% in 2017 in the total value of the tax on comprehensive income, and the share of UTII is 47.6% and 15.8% respectively. The share of SAT is very small (2.9% and 2.7%), PST 2.5% in 2017.

In the article of M R Pinskaya the amount of tax revenues on taxes on comprehensive income per capita in the context of 83 Russian Federation subjects is analyzed. The number of regions-leaders included: Moscow, Moscow Region, St. Petersburg and Krasnodar Territory, in which the share of tax revenues from comprehensive income was from 10 to 20%, while in general they accounted for at least 60% of the total taxes on comprehensive income [14]. The reason for this differentiation, according to the author, is the uneven distribution of enterprises and individual entrepreneurs, payers of taxes on comprehensive income. The Central Federal District holds the largest share in revenues among the regions for income taxes (53.0%), and the Volga Federal District holds the lowest share (39.2%).

STS is the most popular in the regions of the Russian Federation, where the object of tax is income. PST has the lowest tax potential in almost all regions of the country.

Small business plays large role in the economy of developed countries (table 4).

| Indicators                                | the USA  | Russia |
|-------------------------------------------|---------|--------|
| The share of small business in GDP,%      | 50      | 20     |
| Number of individual entrepreneurs        | 1 out of 15 citizens | 1 out of 47 citizens |
| Share in export,%                         | 34      | 5      |
| Taxes,%                                   | 13.3    | Up to 80 |
| Share of companies undergoing 5 years,%   | 51      | 3      |

From the above comparison it follows that Russia is far behind the USA in small business development. Taking a 20% share in the business, small business in Russia bears a tax burden of only 5.4% in 2017, which indicates an excessively low tax burden. This is due to the following: individual entrepreneurs who chose income as the object of taxation under the STS (subclause 3 of clause 3.1 of article 346.21 of the RF Tax Code) and transferred to the payment of UTII (subclause 2.1 of clause 346.32 of the RF Tax Code) and not making payments to individuals and who reduce the amount of the single tax on the amount of insurance premiums paid for themselves in a fixed amount (29,354 rubles in 2019 in the Pension Fund and 6,884 rubles in FCMIF) in full volume. For example, “STS taxpayer” does not pay the single tax to the budget altogether with the amount of revenue for the year equal to 600,000 rubles, having charged a single tax in the amount of 36,000 rubles, and the tax burden will be 0%.

5. Taxes regulating labor payment do not stimulate the growth of household incomes
“There is a direct correlation between the size of GRP, the revenues of consolidated budget of the Russian Federation subjects and the average cash income per capita of the Russian Federation region” [16].

Table 5. Average monthly nominal charged salary, in rub.

| Region  | 2011  | 2012  | 2013  | 2014  | 2015  |
|---------|-------|-------|-------|-------|-------|
| RF - total | 23.369 | 26.629 | 29.792 | 32.495 | 34.030 |
| CFD     | 28.449 | 32.186 | 36.213 | 39.945 | 41.961 |
| including Moscow | 44.899 | 48.830 | 55.485 | 61.208 | 64.310 |
| NWFD    | 25.776 | 29.058 | 32.549 | 35.468 | 37.931 |
| SFD     | 17.237 | 19.823 | 22.497 | 24.311 | 25.471 |
| NCFD    | 13.898 | 16.725 | 19.359 | 20.930 | 21.720 |
| UFDF    | 28.055 | 31.598 | 34.735 | 37.270 | 39.083 |
| SFD     | 20.890 | 23.789 | 26.398 | 28.347 | 29.616 |
| FEFDF   | 29.320 | 33.584 | 37.579 | 40.876 | 43.164 |
| VFD     | 17.544 | 20.020 | 22.481 | 24.601 | 25.632 |

Continuation of table 5

| Region  | 2016  | 2017  | 2018  | 2018 to 2011 | Number of employees in 2016, in million people |
|---------|-------|-------|-------|--------------|-----------------------------------------------|
| RF - total | 36.709 | 39.167 | 43.445 | 185.9 | 72.393 |
| CFD     | 45.943 | 48.593 | 54.470 | 191.5 | 20.527 |
| including Moscow | 71.379 | 73.812 | 83.678 | 186.4 | - |
| NWFD    | 41.076 | 44.450 | 49.469 | 191.9 | 7.257 |
| SFD     | 26.964 | 28.712 | 31.532 | 182.9 | 7.646 |
| NCFD    | 22.963 | 24.400 | 26.721 | 192.3 | 4.035 |
| UFDF    | 41.464 | 43.977 | 47.572 | 169.1 | 6.055 |
| SFD     | 31.569 | 33.718 | 37.497 | 179.5 | 9.004 |
| FEFDF   | 45.786 | 48.952 | 54.151 | 184.7 | 3.159 |
| VFD     | 27.265 | 29.188 | 31.849 | 181.5 | 14.710 |

As follows from the data of table 5, in 4 federal districts: the Southern Federal District, North-Caucasian Federal District, Siberian Federal District, Volga Federal District all listed periods were characterized by the average monthly salary lower than in the Russian Federation as a whole. So, 26,395 thousand people out of 72,393 thousand people employed in the economy, or more than a third of those employed, had an average salary below the average for the Russian Federation in 2016. In 2018 compared with 2011, the average monthly nominal salary increased from 23,369 rubles to 43,445 rubles, or 85.9%, including 91.5% for the Central Federal District, 91.9% for the North-West Federal District and 92.3% for the North Caucasus Federal District. Despite this, the level of salary remains low in regions. Thus, the salary level to the average Russian level in 2018 is the following: 72.5% in the Southern Federal District (31,532 rubles), 61.5% in the North Caucasus Federal District (26,721 rubles), 73.3% in the Volga Federal District (31,849 rub.). In addition, population differentiation by income level within regions is strong.

“One of the serious consequences of the global financial crisis was the growth of income inequality among population” [17]. According to selective household surveys and the macroeconomic indicator of monetary population incomes, about 20 million people have incomes below the poverty line. Under these conditions, when every ruble of income, regardless of the amount of income, is taxed at the same rate as those with high salaries, the system of personal income taxation cannot be considered as fair. According to the academician of the Russian Academy of Sciences B S Kashin, the introduction of the income tax progressive scale, which, not to mention the developed countries, works in all BRICS
countries except Russia, is dampened “because of the inordinate greed of the oligarchs and their tight control over the authorities” [18].

Income tax in Russia is a tax on personal income, but it is paid by the organization where this individual works. In the United States, this tax is called “income duty”. The peculiarity is that the income tax in the US may be levied on a married couple. In this case, their total income is taken into account, and the spouses submit the declaration jointly. Moreover, the tax is levied on a progressive scale basis [19].

6. The share of indirect taxation prevails in the Russian tax system.

| Years | GDP, billion rubles | Tax revenues - total | VAT on goods sold in the Russian Federation | VAT share in tax revenues,% | VAT share in GDP,% | Tax to revenue ration,% |
|-------|---------------------|----------------------|-------------------------------------------|--------------------------|-------------------|------------------------|
| 2008  | 41,429              | 10,101,805.7         | 998,680.7                                 | 9.9                      | 2.41              | 24.4                   |
| 2009  | 39,101              | 7,372,537.5          | 1,176,908.8                               | 16.0                     | 3.0               | 18.9                   |
| 2010  | 46,309              | 8,963,357.9          | 1,329,086.7                               | 14.8                     | 2.87              | 19.3                   |
| 2011  | 59,698              | 11,276,564.8         | 1,735,575.8                               | 15.6                     | 2.94              | 18.9                   |
| 2012  | 66,927              | 12,653,062.0         | 1,886,446.1                               | 14.9                     | 2.82              | 18.9                   |
| 2013  | 71,017              | 13,030,578.5         | 1,868,499.3                               | 14.3                     | 2.63              | 18.3                   |
| 2014  | 77,945              | 14,413,822.3         | 2,188,839.9                               | 15.2                     | 2.81              | 18.5                   |
| 2015  | 80,804              | 15,515,794.7         | 2,448,541.4                               | 15.8                     | 3.03              | 19.3                   |
| 2016  | 86,044              | 16,308,216.8         | 2,657,659.5                               | 16.3                     | 3.09              | 18.9                   |
| 2017  | 92,819              | 19,276,896.9         | 3,070,225.5                               | 15.9                     | 3.3               | 20.8                   |
| 2008, % | 224.0              | 190.8               | 307.4                                     | -                        | -                 | 85.2                   |

From the data of table 6 it follows that compared to 2008 the volume of GDP increased by 2.2 times, tax revenues by 90.8%, including VAT on goods sold in the Russian Federation by 3 times in 2017. At the same time, the share of VAT in tax revenues of consolidated budget of the Russian Federation increased from 9.9% in 2008 to 15.9% in 2017, and the share of VAT in GDP from 2.41 to 3.3%. Thus, VAT is increasing at a rate that is faster than the growth rate of tax revenues, and not accompanying GDP growth.

The question of finding the optimal ratio and social justice on the example of the ratio of direct and indirect taxation remains relevant for the Russian economy. “Russia corresponds to most of characteristics of the Latin American model of budgeting” [20]. This is explained by the fact that the formation of the Russian tax system took place under conditions of high inflation, as well as the simplicity of managing indirect taxation.

The advantages of indirect taxation include:
- a stable source of the budget deficit replenishment; VAT primarily performs a fiscal function;
- at the same time, “tax benefits on social VAT contribute to the expansion of the provision of certain social services, the formation of lower prices for social goods and services” [21], which is associated with the implementation of social functions by indirect taxation.

The most popular tax benefit applied in most foreign countries is a tax credit [22]. The main drawback lies in the complexity of VAT managing, “VAT deductions prevail in tax disputes, so the refusal of deductions and replacement VAT with a turnover tax - sales tax” are more attractive [23].

Proposed by N M Turbina, T N Cherepisina, N V Cherepinata the procedure for changing the methodology for determining the tax base for VAT, according to which value added is determined by adding its components, which eliminates the need to compensate for “input” VAT is particularly interesting [24]. This will simplify the system of VAT managing, and it will not be necessary to fill
out invoices, sales books and books of purchases, what is more important is that it will stop VAT tax disputes, it will be possible to drastically reduce the tax administration and courts involved in the resolution of emerging VAT disputes. According to this method, the value added is calculated by subtracting from the total cost of goods, works and services the value of the worth acquired from the side. On the other hand, the existing mechanism for calculating VAT is not well-timed, it includes a second invoice. In the Russian version, the value added tax is subject to amortization, which is an economic nonsense. In world economic science, amortization is always and everywhere (except Russia and the CIS countries) is included in turnover capital, while value added is understood as an incremental value in the form of salary, incomes of the owner and taxes levied on the wage fund and profit on the entire amount of value added.

One of the characteristics of developed countries tax systems is the excess of the share of direct taxes over indirect ones: in Japan, the share of direct taxes from personal income tax and corporate income tax is 30% and respectively 20% of total tax revenues; in the US, the share of corporate income tax and personal income tax in total tax revenues is 10% and 40%, respectively; 11 and 26%; in the UK and 9 and 25% in Italy.

For the Russian economy, it is extremely important to implement tax policy aimed at reducing the share of indirect taxes in the total tax burden. It is necessary to solve two opposite tasks: to increase tax revenues of the budget without increasing the level of tax burden on the economy, which is possible only through economic growth.

7. The tax system does not stimulate production growth.

Based on the data given in table 6, we can conclude that: compared to 2008, GDP increased by 2.2 times, tax revenues by 90.8%, tax-holding capacity of products decreased by 14.8% in 2017. Consequently, the increase in tax revenues occurs mainly due to VAT: for the period under review, VAT revenues increased by 3 times, its share in tax revenues from 9.9% to 15.9%, the share of VAT also increased in GDP from 2.41% up to 3.3%. Since 2009, the tax to revenue ratio has fallen, and since that time it has not increased anymore, it has reached only 85.2% to the 2008 level in 2017. In its turn this is an evidence of inefficiency of the changes constantly made to the RF Tax Code.

4. Conclusion
The following conclusion follows from the analysis: fiscal federalism, understood as the relationship between various levels budgets, needs to be adjusted. The problem is in the distinction between income levels and tax revenues between levels of the budget system. The most unprofitable taxes are fixed for regional and local budgets levels in the Russian Federation.

The current order of distribution of tax revenues between the levels of the budget system does not cope with its main task - maintaining the stability of the economy. The tax burden for the subjects is highly differentiated. It is necessary to stimulate the regions to increase their own tax base, their own tax potential.

The current system of tax distribution between budgets leads to budget deficits of all levels. In the local budgets and budgets of the Russian Federation subjects a significant share is occupied by intergovernmental transfers. The financial independence of the regions is determined by the size of their financial and tax potentials and is predetermined by the delimitation of taxes between the budgets. At the same time, financial obligations are transferred from the federal to the regional level without sufficient financial support.

The order of budgeting, and distribution of taxes between regional, local and federal budgets are organized so that the regions always lose, there is a clear centralization in intergovernmental relations. Legislation in the sphere of intergovernmental relations is structured in such a way that it benefits federal budget. This is a significant distinguishing feature of local government in the Russian Federation from reality in the USA, Germany, Canada, etc., where there are delimitations of all powers, as well as relations between federal and local government bodies. At the same time, priority is given to the local level, and the procedure for its activity is approved and controlled by the citizens of
the territory on the basis of legal norms established by law, and as a result, the socio-political importance of local self-government is growing.

Russia's fiscal policy has led to a sharp differentiation of regions in terms of socio-economic development, which does not interest regions and municipalities in expanding their taxable base. The financial inconsistency of the municipalities lies in the tax system itself.

The predominance of the share of indirect taxation in the budget system underestimates the role of direct taxes in increasing production volumes.

The centralization of financial resources in federal budget with the subsequent redistribution of a large part of them between lower-level budgets in the form of interbudgetary transfers does not stimulate the socio-economic development of the regions. In order to ensure justice for the purpose of personal income taxation, it is necessary to introduce a progressive taxation scale, while exempting from taxation individuals whose incomes after taxation is less than the minimum subsistence level. The predominance of the share of indirect taxation in the budget system underestimates the role of direct taxes in increasing production volumes.

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