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TAX SYSTEM OF THE RUSSIAN FEDERATION AND FOREIGN COUNTRIES

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Abstract

The organization issue of the existing tax systems of foreign countries is considered in the paper. The introduction provides the most general information about taxes and fees, that is, the functions they perform, their goals, classification according to certain criteria. Further, the tax systems of the most economically developed countries such as the USA, Canada, Great Britain, France, etc. are considered in the article, as well as the main differences between them, and comparison with the tax system of the Russian Federation. The purpose of the scientific paper is to describe the procedure for calculating individual taxes, the method for generating budget revenues, the specification of the most priority areas of tax systems in certain countries, namely, which taxes are applied in priority order in these countries, what their interest rate is, which taxes replenish the state budget the most, and etc. The conclusion that can be drawn: the tax system is one of the most significant economic regulators, and, in view of various factors, its own taxation system has developed in each country. An ideal tax system can exist with some disadvantages. Any country needs to improve its tax system, many of them are approaching this by changing tax laws and making amendments. Effective implementation of the tax system and, accordingly, further economic growth is impossible without the formation of a suitable model of the tax system and the right choice of tax regulation tools.

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1. Introduction

First, we will characterize the tax system of the Russian Federation. Tax is a mandatory, individually non-repayable payment levied from organizations and individuals in the form of alienation of funds belonging to them by right of ownership, economic management or operational management in order to financially support the activities of the state and (or) municipalities (Art. 8 para. 1.1 TC RF). Fee is a compulsory charge levied from organizations and individuals, which payment is one of the conditions for the performance of legally significant actions including the granting of certain rights or the issuance of permits (licenses) in relation to state bodies, local officials, other authorized bodies, and civil servants (Art. 8 para. 2 TC RF). Taxes have four main functions, which include:

- fiscal;
- regulating;
- stimulating;
- distributing.

The fiscal function is the principal function of taxes. Its task is to provide the state with the financial resources that are required for its activities. The fiscal function, replenishing the state budget, creates the conditions for the state to influence the economy, thereby determining the regulating function of taxes.

The regulating function involves the creation of optimal conditions by the state for the accelerated growth of certain branches and industries, contributing to the solution of current social problems; it occurs through the maneuvering of tax rates, fines and benefits, as well as through the conditions of taxation. For instance, the state introduces an indirect tax – excise tax on products and substances that are harmful to society (tobacco, alcohol, gasoline, and etc.) in order to reduce their manufacturing in the country (Goncharenko, 2016).

The stimulating function is that the state, by lowering tax rates, reducing the taxable base, and changing the taxation objects stimulates socio-economic activity in priority areas of the development.

The distributing function. The state redistributes part of the profits of enterprises and entrepreneurs with the help of taxes and incomes of citizens, and directs it to the development of industrial infrastructure, investments in branches with long-term costs.

Tax classification.

According to the mechanism of formation, taxes are subdivided into:

- direct;
- indirect.

Direct taxes are taxes on income and property (Personal income tax, social tax, corporate income tax).

Indirect are taxes on goods and services and transactions with them (VAT, excise taxes).

According to management levels:

- federal;
- regional;
- local.

Taxes are distinguished by subjects of payment:
• individuals;
• legal entities;
• general;

By object of taxation:
• income tax;
• property tax;
• tax on certain types of operations, transactions and activities.

By taxation method:
• progressive;
• regressive;
• proportional;
• linear;
• stepped;
• firm.

Each country’s tax code is a multifaceted system with many moving parts, and the United States is no exception. The first step to understanding the U.S. tax code is comprehension of the basics.

Personal income tax has historically been the largest component of the federal tax system in terms of the generated revenue. In fiscal 2020, about 1.5 trillion dollars, or 47 % of federal government revenue, is collected from personal income tax. Business income tax is estimated to generate an additional $ 151 billion in revenue in FY 2020, or approximately 5 % of total revenue. Social security or payroll taxes will fetch about 1.3 trillion dollars or 36 % of revenue in fiscal 2020. For 2019, revenues are estimated to be 16.3 % of gross domestic product (GDP), slightly below the post-World War II average which constituted 17.2 % of GDP.

The largest source of revenue for the federal government is personal income tax. Federal personal income tax is levied on an individual’s taxable income which is adjusted gross income (AGI). Tax rates based on registration status (e.g. joint filing in marriage, head of household or single individual) determine the amount of the tax liability. Income tax rates in the United States are generally progressive, so that higher levels of income are usually taxed at higher rates (Fig. 01). Tax credits can be used to reduce the tax burden after calculating preliminary tax liabilities. Individuals with high levels of deductions and credits in relation to income may be required to pay the alternative minimum tax (AMT).

The federal government levies taxes on corporations, wages, and certain other goods. Corporate income tax is assessed at a flat rate of 21 %. Social security and medical care tax rates are 12.4 and 2.9 % of earnings, respectively. In 2020, social security taxes will be levied on the first 137,700 dollars in wages. Federal excise taxes are assessed from certain goods such as vehicle fuels, alcohol, and tobacco.
Several observations can be made by looking at the US tax system (Nalog-nalog, 2016) as a whole. It is noteworthy that the structure of income has changed over time. Corporate income tax revenue has decreased over time in total tax revenue, while the share of social insurance revenue has grown in total revenue. Social security revenues make up a significant portion of the overall federal tax system. Most taxpayers give more payroll tax than income tax. Many taxpayers give social security taxes but do not pay personal income tax if they have income below the amount that could lead to positive tax liability. Internationally, the U.S. federal tax system collects less federal revenues as a percentage of GDP than other OECD countries. The presence of VAT in Russia, and not a sales tax as in the United States, suggests that the tax is not paid by the end consumer but at every stage of the production chain. Thus, the main tax burden is on the poor layers of population (Popova, 2007). Besides, customs duties and some other types of goods and services are classified as indirect taxes in the United States (Lykova & Bukina, 2013).

Corporate taxation in France. Corporate income tax is a tax on company revenues. This tax is levied in all OECD countries but tax bases and rates vary significantly. Corporate income tax is the most harmful tax on economic growth; nevertheless, countries are able to mitigate this harm by lowering corporate tax rates and making generous capital surcharges (Fig. 02).
Individual taxation in France. Individual taxes are one of the most common ways to increase government revenue in OECD countries. This tax is levied on the income of an individual or household for the purpose of financing the operations of the general government. The tax is progressive, that is, the assessed tax rate increases as the income of an individual or legal entity rises.

Consumer taxes in France. These taxes are levied on certain goods and services and can take various forms. In many countries, value added tax (VAT) is the most common consumption tax. Most consumption taxes are either not taxed on intermediate manufacturing products or resources, or credited against input taxes that have already been paid, avoiding the problems of a tax pyramid in which the same final goods or services are taxed multiple times during production. The elimination of business costs makes consumption tax one of the most effective means of increasing tax revenues. However, the process of determining the tax base is not entirely correct in many countries. All final consumption should be taxed at the same standard rate to minimize distortion. Countries often exempt too many goods and services from taxes or assess them at reduced rates which require the collection of higher standard rates to generate sufficient income. Some countries cannot free up business resources properly.

Property taxes in France. Property taxes are applied to the assets of an individual or legal entity. For example, inheritance taxes are payable in the event of the death of a person and the transfer of his or her property to the heir, respectively. On the other hand, real estate taxes are paid at regular intervals, often annually, on the value of taxable properties such as land and houses. Many property taxes distort and greatly complicate the taxpayer's life. Inheritance taxes create barriers to supplementary work and savings which reduce performance and production. Financial transaction taxes increase the cost of capital which limits the investment capital flow to the most efficient allocation. Wealth taxes limit the capital available in the economy damaging long-term economic growth and innovation.
International taxes in France. In a globalized economy, businesses often move outside their home countries to reach customers around the world. As a result, countries need to define rules governing how corporate income earned in foreign countries will be taxed. International tax rules refer to the systems and rules that countries apply to this business of Income sources in Canada. The main income to the federal budget of Canada comes from corporate taxes, personal income tax, goods and services tax (VAT), excise and customs duties. The general corporate tax rate in Canada ranges from 28 to 34%. This tax is approximately at the world average level; however, the taxation object for capital income is always half of such revenue. Based on this, the Canadian tax system with the right approach is more preferable for doing business.

Individual taxation in Canada. Individual taxes are one of the most efficient ways to increase government revenue. Individual income taxes are levied on the income of an individual or household to fund the operations of the general government. In order for a person to have an obligation to pay income tax in Canada, he or she must: – have Canadian citizenship or reside in its territory for at least 183 days a year (approximately six months); – receive cash income above the established minimum of CAD 11,327 (throughout the year). If we compare the Canadian tax system with the domestic one, then it contains fewer hidden fees and more opportunities for tax maneuvers.

Consumer taxes in Canada. Consumption taxes are levied on goods and services and can take many forms, namely, value added taxes. VAT in Canada remains unchanged at 5% in 2020. The maximum rate of this tax in Canada has reached 7%, and the minimum – 5%.

Inheritance tax does not exist in Canada. Besides, certain individuals and entities can be exempt from taxes, for instance, foreign government employees working in Canada, trade unions and societies, city governments, pension fund managers, and etc.

The tax system is one of the most significant economic regulators and, due to various factors, each country has own tax system. There is no perfect tax system. However, any tax system must meet general requirements:

- equality and fairness;
- tax efficiency (Kniazev & Chernika, 1997).

2. Problem Statement

The tax system is one of the most significant economic regulators and, due to various factors, each country has own tax system. There is no perfect tax system; every country should strive to improve its tax system.

3. Research Questions

- In what countries tax systems are the most developed?
- What taxes bring the greatest income to the federal budget of the country?
- How do the tax systems of foreign countries work?
4. Purpose of the Study

The purpose of the paper is to describe the procedure, the method for generating budget revenues, the specification of the most priority areas of tax systems in certain countries, namely, which taxes are applied in priority order in these countries, what their interest rate is, which taxes replenish the state budget the most, and etc.

5. Research Methods

The research methods are the analysis and information processing obtained from various sources (TC RF, books, articles and etc.).

6. Findings

The basic conclusions can be drawn: the tax system is one of the most significant economic regulators, and, in view of various factors, its own taxation system has developed in each country. An ideal tax system can exist with some disadvantages. Any country needs to improve its tax system, many of them are approaching this by changing tax laws and making amendments (introducing some taxes or abolishing others, changing the tax rate, implementing tax incentives, and etc.). Effective implementation of the tax system and, accordingly, further economic growth is impossible without the formation of a suitable model of the tax system and the right choice of tax regulation tools.

7. Conclusion

It should be concluded that none of the tax systems can be called good or bad despite some pros and cons. Each of them is proper for the state in its own way. The tax systems of many countries have been developing for more than one century. They are already “adapted” to the territorial characteristics of the countries, their internal politics, and the population mentality. It is impossible to replace one tax system with another. This is tangible only if the tax principles are adapted to the economic conditions of a particular state.

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