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**TAX REFORMING USING A SOCIALLY ORIENTED
MECHANISM**

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Abstract

The article studies the social role of the personal income taxation. The income tax pays a significant social role. It is necessary to use a progressive tax scale. The proportional income taxation intensifies stratification of the population. Theoretical and practical aspects of the efficiency of income taxation have been studied by foreign and Russian researchers. This issue is of particular relevance due to the need to improve efficiency of the budget policy of the Russian Federation and increase the amount of budget revenues. The social role of the income tax is insignificant. It is necessary to use a progressive income tax scale since the flat 13 percent scale is unfair to low-wage workers. The transition to the proportional income can intensify the stratification of the population by income level. Implementation of the flat income tax scale caused violation of the principles of social justice and economic equality. At present, a new approach to the progressive income tax scale is required. The following methods were used: analytical and comparative methods, comparison method, scientific classification, etc. The study identified the regions with the lowest value of the calculated indicator. It should be based on social functions of the income tax rather than on the fiscal mechanism. At the same time, foreign countries use a progressive income tax scale, while the income tax is socially oriented. Foreign income taxation experience shows that individuals with low salaries are exempted from the income tax, while individuals having high incomes are taxed at high rates.

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Keywords: Tax reform, personal income tax, progressive scale, proportional taxation, social role, budget.



1. Introduction

Stable development of any country (especially in the conditions of economic instability) is possible only under the coordinated tax policy and coherent and fair tax system. In the Russian tax system, the income tax plays an important role and is one of the sources of revenues of the consolidated budgets of the Russian regions (according to the budget legislation, income tax revenues go into the regional and local budgets) (Basnukayev & Bamataliyev, 2014).

The developer of the fundamental taxation principles is a Scottish philosopher and economist A. Smith who emphasized the principle of justice. Progressive taxation was studied by a famous economist J.B. Say, a famous British politician, economist and philosopher J. S. Mill, a famous English economist F.I. Edgeworth, a great German economist A. Wagner. The income taxation issues were studied by Russian scientists.

Table 01. Distribution of Russian regions by the share of personal income tax in the structure of tax revenues of the consolidated budget in 2013–2017

Share, %	The number of regions				
	2013	2014	2015	2016	2017
Less than 10	0	0	0	0	0
10–19,99	0	1	1	2	1
20–29,99	9	8	5	6	8
30–39,99	20	19	17	17	18
40–49,99	43	38	38	36	40
50–59,99	6	11	17	16	12
60–69,99	4	3	2	3	4
70–79,99	1	2	2	2	1
80–89,99	0	1	1	1	1
90 and higher	0	0	0	0	0

2. Problem Statement

At present, the social role of the income tax is insignificant. It is necessary to use a progressive income tax scale since the flat 13 percent scale is unfair to low-wage workers. The transition to the proportional income can intensify the stratification of the population by income level.

This study is of particular relevance due to the need to improve efficiency of budget execution of the budget system of the Russian Federation, as well as to increase revenues of the budget system of the Russian Federation.

3. Research Questions

The development of the income taxation began on December 7, 1991, when the Russian Law No. 1998-1 “On Personal Income Tax” was adopted. This law was valid until 2001. The law implemented a progressive taxation scale.

However, in 2001, Chapter 23 of the Tax Code of the Russian Federation “Personal Income Tax” was adopted. It provides for differentiation of tax rates depending on the sources of income. Tax is charged at a rate other than 13% only in relation to winnings, prizes, interest deposit incomes, etc., taking into account Articles 212, 214.2, 214.2.1, 217, 224, 227.1 of the Tax Code of the Russian Federation.

Theoretical and practical aspects of the efficiency of taxation were investigated by Ambroseva (2007), Revyakina (2014). Income taxation has been considered in a number of other Russian and foreign publications. Based on the empirical assessment of the income taxation in 21 EU and OECD member countries, Szarowská (2016), emphasizes its fiscal importance and effects on government policies. Australian scientists adhere to a similar point of view. They emphasized a crucial role of income taxation in resource allocation, income redistribution and macroeconomic stabilization (Tran-Nam, Vu, & Andrew, 2007).

The researchers describe results of their studies of issues of income taxation in the USA, Canada (Laganà & Sgro, 2012), Malaysia (Idawati, 2016), Japan (Bessho & Hayashi, 2005). Sukhanova (2016) provides a comparative analysis of the income taxation in Russia and Japan. A lot of researchers consider the issue of justice (Grachev, 2014; Shalina, Tokareva, & Bagautdinova, 2017), including in the context of taxation studies (Vorozhbit & Uksumenko, 2016).

Izotova (2016) consider the income tax as a tool for social policy and improving the quality of human capital. Mikhailik (2015) emphasizes a leading position of Russia by the level of income differentiation. Kostyleva (2013) emphasized the need to introduce a progressive taxation scale. Another option was proposed is a progressive scale from 5% (for incomes of up to 60 thousand rubles per year) to 45% (for incomes which are over 12 million rubles per year).

Finally, Savina and Savina (2015) stressed the relationship of the tax reform and the fiscal policy, identified painful points of the Russian tax system and dependence of the tax culture on the government tax policy which affects formation of financial resources of the state, companies and all citizens.

However, at present, a new approach to the progressive taxation scale is needed. It should be based on the fiscal mechanism and social functions of the tax (Basnukayev & Tokaev, 2015). Foreign income taxation experience shows that individuals with low wages are exempted from income tax, while citizens having high incomes are taxed at high rates.

The five-year experience of the Russian Federation shows that its share of income tax is more than 20%. At the same time, over 2008–2017, the amount of income tax revenues in the consolidated budget of the Russian Federation increased by more than 1.1 trillion rubles. If we analyze the share of income tax revenues, we should pay attention to its increase by 5.53% by 2011 (compared to 2008) and its subsequent decrease by 5.96% (by 2013). In 2014, an increase in the share of income tax revenues amounted to 0.1%. In 2015, the share of income tax revenues increased by 1.43% and in 2016 it decreased by 21.33% (–0.74% compared with the previous year). Finally, in 2017, it decreased by 20.46%.

During the period (2008–2017) under study, the volume of income tax revenues in the consolidated budget of the Russian Federation increased by 68.5%. The total revenues increased by 72.71%.

However, there are risks of a significant slowdown in the income tax revenues growth. First of all, this is due to the instability of the Russian economy. The income tax occupies a significant place in the structure of tax revenues of the consolidated budgets of the Russian regions. The results of calculations are

presented in Table 1. According to these results, the Russian regions were divided into 10 groups (based on the calculation of the share of income tax revenues of the consolidated budgets of the Russian regions) (Table 1).

4. Purpose of the Study

However, at present, a new approach to the progressive taxation scale is needed. It should be based on the fiscal mechanism and social functions of the tax. Foreign income taxation experience shows that individuals with low wages are exempted from income tax, while individuals having large incomes are taxed at high rates.

5. Research Methods

The following methods were used: analytical and comparative methods, comparison method, scientific classification, etc.

6. Findings

The study identified the regions with the lowest value of the calculated indicator:

- in 2013: Nenets Autonomous District (20.17%), Tyumen Region (22.86%), Omsk Region (24.07%), Yamal-Nenets Autonomous District (24.53%), Khanty-Mansi Autonomous district (26.5%);
- in 2014: Nenets Autonomous District (14.82%), Omsk Region (23.28%), Ryazan Region (24.34%), Tyumen Region (25.42%), Yaroslavl Region (25.61 %);
- in 2015: Nenets Autonomous District (16.89%), Ryazan Region (21.44%), Omsk Region (25.79%), Yaroslavl Region (26.09%), Sakhalin Region (29%);
- in 2016: Sakhalin Region (17.01%), Nenets Autonomous District (19.55%), Omsk Region (24.5%), Leningrad Region (26.3%), Khanty-Mansi Autonomous District (26, 41%);
- in 2017: Sakhalin Region (11.41%), Nenets Autonomous District (20.66%), Ryazan Region (23.75%), Omsk Region (24.83%), Khanty-Mansi Autonomous District (25, 2%).

The regions with the largest share of income tax revenues of the consolidated budgets were also identified:

- in 2013: the Altai Republic (60.12%), the Jewish Autonomous Region (62.65%), Kamchatka krai (64.50%), the Republic of Tyva (69.78%), the Chechen Republic (71.55%);
- in 2014: the Republic of Ingushetia (61.61%), Kamchatka Krai (63.15%), the Republic of Tyva (72.65%), the Republic of Kalmykia (73.2%), the Chechen Republic (82.72%);
- in 2015: the Altai Republic (61.74%), Kamchatka Krai (69.46%), Republic of Ingushetia (71.13%), Republic of Tyva (73.34%), Chechen Republic (83.43%);
- in 2016: the Altai Republic (60.92%), Kamchatka Krai (66.14%), the Republic of Ingushetia (70.59%), the Republic of Tyva (71.75%), the Chechen Republic (84.6%);
- in 2017: Kamchatka Krai (65.22%), Sevastopol (68.2%), the Republic of Ingushetia (69.64%), the Republic of Tyva (71.74%), the Chechen Republic (85.28%).

At the same time, calculations showed that over five years (2013–2017), the share of income tax revenues of the consolidated budgets of 32 regions of the Russian Federation decreased: Sakhalin Region (–28.11%), Arkhangelsk Region (–7.82%), Leningrad Region (–6.91%), the Jewish Autonomous Region (–6.7%), the Republic of Sakha (–5.02%), Tver Region (–4.94%), the Republic of Kalmykia (–4.87%), Astrakhan Region (–4.36%), Tula Region (–3.79%), Lipetsk Region (–3.62%), the Altai Republic (–3.3%), Ryazan Region (–3.1%), Magadan Region (–3.06%), Yaroslavl Region (–2.99%), Primorsky Krai (–2.91%), Tomsk region (–2.76%), the Republic of Adygea (–2.69%), Smolensk Region (–2.38%), Amur Region (–2.05%), the Republic of Tatarstan (–1.7%), the Chukotka Autonomous Region (–1.55%), the Republic of Komi (–1.54%), the Khanty-Mansi Autonomous Area - Yugra (–1.3%), the Republic of Buryatia (–1.3%), Vladimir Region (–1.02%), Volgograd Region (–0.83%), Ulyanovsk Region (–0.81%), Voronezh Region (–0.8%), Kabardino-Balkaria (–0.23%), the Republic of Bashkortostan (–0.18%), Pskov Region (–0.12%), Chelyabinsk Region (–0.05%).

In addition, according to the assessment of the regional budget imbalances, 42 Russian regions are in the “above average” risk group (Balynin, 2016).

The likelihood of a decrease in income tax revenues increases these risks. Over the period under study (2013–2017), the real income tax revenues of the consolidated budget increased only in 10 regions: the Republic of Adygea (+ 3.51%), the Jewish Autonomous Region (+ 3.6%), the Republic of Tatarstan (+ 4.27%), Nenets Autonomous District (+ 9.06%), the Republic of Sakha (+ 10.47%), Tula Region (+ 19.92%), Leningrad Region (+ 26.3%), Astrakhan Region (+ 29.95%), the Republic of Mordovia (+ 47.98%), Sakhalin Region (+ 159.75%).

At the same time, in 58 Russian regions, this indicator decreased by more than 10%. To minimize the above risks and solve the problems identified, it is necessary to implement a progressive taxation scale.

7. Conclusion

Thus, implementation of the flat income tax scale cause violation of the principles of social justice and economic equality. However, this scale is widely used in foreign countries where the income tax is socially oriented.

Despite the fact that during 2008-2017, income tax revenues of the consolidated budget of the Russian Federation in increased by 68.5%, there are risks of a significant slowdown in the growth of income tax revenues due to the instability of the Russian economy. For five years (2017–2013), the share of income tax in the total tax revenues of the consolidated budgets of 32 regions of the Russian Federation decreased. The most significant reduction was observed in Sakhalin (–28.11%), Arkhangelsk (–7.82%), and Leningrad (–6.91%) regions. The income tax revenues of the consolidated budget increased only in 10 regions (Republic of Adygea, Tatarstan, Yakutia, Mordovia; Tula, Leningrad, Astrakhan, Sakhalin, Jewish Autonomous Region, Nenets Autonomous District). In 58 regions, they decreased by more than 10%.

Thus, at the current stage of development of the Russian state, it is necessary to form a modern tax model that takes into account challenges of the world economy and is based on social justice and equality.

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