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THE SYSTEM OF REAL ESTATE TAXATION IN THE INTERESTS OF THE STATE

M.Yu. Bezverbnaya (a), N.P. Lukyanchikova (b)*
*Corresponding author

(a) Irkutsk Institute (Branch) of All-Russian State University of Justice, Russia, 4, Nekrasova St., Irkutsk, 664003, Russia, maries21@mail.ru, +79149026800
(b) Irkutsk National Research Technical University, 83, Lermontov St., Irkutsk, 664074, Russia, aspirant78@list.ru, +79149586228

Abstract

Nowadays in Russia, in the conditions of the taxation reforming new perspectives on the development of taxation for different types of taxes develop. Theoretical and methodological foundations of property taxation are considered in the paper.

The authors analyze different approaches to the real estate taxation system. The authors determine specific features of taxes, the object of which is real estate, based on the analysis.

During the research, the authors observe social and economic consequences of the real estate taxation. It can lead to a drop in property prices and at the same time to increase rental rates, which will have a negative impact on the economy as a whole. However, the effects of the tax are still unpredictable.

The real estate tax it is necessary to form the state cadastre of real estate, as well as order of identification of tax base, which should be the cadastral value of real estate.

In this regard, the paper proposes to organize the real estate taxation system in Russia.

The authors highlighted specific features of taxes, the object of which is real estate based on the analysis of tax system of the Russian Federation.

The classification of real estate taxes of tax system in the Russian Federation is proposed on various grounds: by the categories of taxpayers who own, use and dispose various objects of real estate; by the levels of government in the country; by the objects of taxation; by the nature of real estate objects and its functions.

Keywords: Tax system, real estate taxes, property tax."

1. Introduction

One of the most important parts of the financial sector of any state is a tax policy that is a complex of measures of the state in the field of taxation. The result of state tax policy is legally established taxes and fees.

Thus, the tax policy not only determines the types and nature of tax burden, but also regulates the fullness of the tax relations and tax obligations (Chernisheva, Eremina, & Altinbaeva, 2014).

Classification of taxes study has an important economic value because it allows analyzing the tax system of the country, to carry out a variety of evaluation and comparison of the tax groups in both the short and long term. In addition, the classification of taxes is necessary for the international comparisons because the tax systems of the countries are different, ordinary and the comparative evaluation for the entire list of taxes is very difficult and may lead to erroneous theoretical conclusions and practical solutions (Nechaev & Antipina, 2014).

Real estate taxation is of great importance for the life of the country as a whole. Today property taxes affect almost everyone, so the society is waiting with great interest reforming of system of property taxes.

Nowadays the legislation of the Russian Federation includes three taxes operating in the sphere of the property relations connected with real estate: property tax of the organizations, property taxes of private persons and land tax.

A new mechanism of real estate taxation will affect the interests of both taxpayers and public authorities, whose budgets are doing currently, the tax on property of private persons and organizations, land tax.

Income from property taxes actually are the main own revenues of municipalities, the size of which determines the possibilities of urban development, but also to some extent the level of independence of local authorities from higher authorities. This circumstance will lead to a change in fiscal relations in regions of the Russian Federation. In such tax innovations regions of the Russian Federation and municipal formations are very interested, in whose budgets income from the property tax can be directed as it is practiced in many countries (Bezverbnaya, 2012).

On the other hand, a new real estate tax will contribute to the simplification of taxation of objects with the same signs in its legal features. It is expected to simplify the mechanism of tax control, which is a positive phenomenon. The introduction of real estate tax is intended to increase the pace of construction of real estate objects, their involvement in civil circulation.

2. Problem Statement

The system of real estate taxation is well established from the point of view of the implementation of the fiscal, promotional and social functions in countries with well developed market economies, and in countries with economies in transition. According to experts, the real estate tax is up to 95% of all revenues to local budgets in the Netherlands, to 81% in Canada and to 52% in France. In the United States depending on the state, this share can range from 10 to 70%. Therefore, this system can also be successfully implemented in the Russian Federation (Boboshko, 2013).

The real estate tax in Russia will replace the land tax and property tax, revenues from these taxes constitute 7.95 % of the total amount of incoming funds to the Federal budget, and the share of local budget revenues is 15.11 % (The Federal service of state statistics, 2015).

However, the introduction of this tax was postponed for several years, indicating the difficulties that will be faced in its application. The main difficulty lies in the fact that Russia has still not created a unified database of inventory of residential and non-residential property, specifying its cost. Moreover, there is no clear methodology for determining the taxable base that leads to permanent courts, which generally take decisions not in favor of the tax authority (Sedaev, 2014).

To bring into force one real estate tax it is necessary to form the state cadastre of real estate, as well as order of identification of tax base, which should be the cadastral value of real estate. For the formation of the state real estate cadastre was adopted the Federal law of 24 July 2007, No. 22 "About state real estate cadastre", which came into force on 1 March 2008, which regulates relations arising in connection with the realization of the state cadastre of real estate cadastral activities. Furthermore, it requires the development and adoption of documents such as methodology of cadastral appraisal of real estate, methods of check of results of the cadastral valuation of real estate, carrying out work on cadastral valuation of real estate and the content of the state cadastre of real estate.

One of the challenges of real estate taxation is the valuation of land and buildings.

Now there is considerable litigation on the issues included in the inventory of real estate prices. With regard to real estate owned by individuals, the question of determining the value of objects is even more complex, since it is impossible to estimate the cost of each individual apartment on the same basis. Because of its cost, ultimately, has an impact on a number of qualitative characteristics.

According to Russian Law, real estate objects are accounted for in accordance with the cadastral value of the object, not the inventory, as it was previously. Now any taxpayer can know the cadastral value of their property, which may differ considerably from the actual market price. This is because when conducting cadastral valuation for determining the value of the object used in the method of mass valuation. Its methodology is fixed by order of the Ministry of economic development of the Russian Federation. The stages of its implementation are:

Firstly, it is the conclusion of the contract on carrying out of a cadastral estimation, which involves specifying the evaluation. Secondly, the collection of information about the real estate market, analysis of the information and argumentation of the selection of the valuation object. Thirdly, determining the major factors affecting the project cost estimate. Fourthly, the grouping of evaluation sites. Fifthly, gather information on the real estate market. Sixthly, the construction of evaluation model and the analysis of this construction. Seventhly, the definition of the cadastral value of the object. The final stage includes the preparation of the report of the assessment object.

Thus, even in the method implies the need for collection and analysis of reliable information about the condition of the property and the availability of a database of similar transactions to determine prices. According to the Federal service for state registration, cadastre and cartography in Russia in 2014 held 1104219 real estate transactions, the gift contract was executed 2403 transactions, the other uses the agreement of purchase and sale.

If we follow the dynamics, the number of transactions in 2013 decreased significantly compared to 2012, the population became more to rent a property than to buy it. As we can see from the analysis of the dynamics of the number of real estate transactions, participation in real estate transactions over the last 2-3 years is highly decreased and in the current environment it is unlikely the situation will change significantly. The real estate tax, because of the inevitable increase of the amount of tax also has a negative impact on people's intentions to buy and own it. Therefore, for the successful functioning of the real estate market it is necessary to correct the method of calculating the value of the property. Then the real estate tax will be used, so if you do not stimulate the population to real estate transactions, at least not to interfere because of the high amounts of taxes payable to the apartment or a house. Collecting from this tax from the activity of the population will only increase.

Another obstacle to bring into force the tax is that the personal circumstances of the payer not taken into account in determining the amount of tax. The actual problem is the privileges on property tax. In many Western countries, where this tax benefit is provided only if the property is used by its owners for its intended purpose, the right to benefit is lost when using real estate for commercial purposes. In Russia, the tax benefits of real property are prescribed only for owners of new housing on the repayment period of the borrowed funds. When extracting profits from renting housing to rent, the tax rate is significantly increased.

Currently, the amount of land taxes and property of physical persons is on average 700-750 rubles. According to the Federal tax service, the tax burden with the introduction of the new tax would increase 2.85 times for each citizen – the owner of the property, that is, the amount of property tax will be about 2000 rubles.

The introduction of property tax will allow you to multiply the budget of a constituent entity of the Russian Federation, as it is a local tax. But it is a confusing fact, because the interest people have in the ownership of property has fallen, it is necessary to encourage people, using tax tools such as tax deductions and benefits, and a reliable determination of the value of the property.

The new tax will be have the social and economic consequences. It can lead to a drop in property prices and at the same time to increase rental rates, which will have a negative impact on the economy as a whole. However, the effects of the tax are still unpredictable.

There's no rush with the introduction of a unified real estate tax. The existing experience of the introduction of real estate tax shows the need for considerable preparatory work at both the local and federal levels; it requires completion of the implementation of the provisions of land law; to create a unified real estate cadastre to ensure the interaction between tax authorities and the cadastral accounting services (Abakarova, 2015).

As a whole, the development of property taxation in Russia is based on international experience. It is necessary to improve existing proposals to property taxation with the aim to finalize the mechanisms for collection of property tax, having the purpose to increase the revenues of local budgets.

In this regard, the article proposes to streamline the real estate taxation system.

3. Research Questions

The main research questions are associated with the implementation of the comprehensive research regarding the list of taxes associated with real estate, and combining them into a single system.

According to the position of Smirnov (2009), the concept of "property taxes" used in modern scientific literature and the Russian tax legislation is essentially collective, and only individual taxes have a certain purpose of collection, not its' objects. Property taxes - the taxes, the object of which is property and property rights, not its gains, income or something else.

On this basis, property taxes according to Russian legislation should include land tax, tax on property of organizations, tax on property of private persons, the transport tax.

As noted by Berezin (2011), property taxation is a system of legal and economic relations between the state and (or) local authorities, on the one hand, and taxpayers on the other, regarding the establishment, administration, calculation, payment, termination and cancellation of taxes, the object of which are objects of property rights, which are property under the Civil Code of the Russian Federation.

In accordance with this, he gave a list of property tax, consisting of taxes under article 13, 14, 15 of the Tax Code of the Russian Federation (property tax of organizations, property taxes of private persons, land tax). Ships, riverboats, aircraft, space objects, railway included in the concept of real estate for taxation purposes, since they are the objects of immovable property: the main means of organizations as well as properties of individuals.

In the scientific proceedings, the question about whether the land is property is still remains debating, despite the fact that it has already been decided by the Civil Code of the Russian Federation. Some theorists argue the opposite, considering the land, primarily a natural object, created without the participation of people and having features of the property. And, therefore, in their opinion, the land has no material basis, and only in the conditions of market, it is visibility of assets.

Yarullin (2002) expresses the view that, in fact, the land was always the property as being the main means of production; it generated income and was present in the production process as state property value.

In connection with the foregoing, the tax, the object of which is land, is entitled to apply to property taxes. Alekhin (2001) also considers land tax to the property and argues that the vast majority of payers of land tax is closely associated with land property (real estate).

A poorly thought-out classification of real estate objects is being complicated the tax system. So, in "Methodical instructions on the state cadastral evaluation of lands ", approved by order of Ministry of economic development of the Russian Federation in 2007, there are 16 classes of land (each class corresponds to a certain valuation method). For example, in one class united land, on which there are objects of social and commercial infrastructure (schools, hospitals and offices). High market rental value of offices has automatically led to an increase in the cadastral value of all objects of this class (schools and hospitals) (Berezovskaya & Lapshina, 2015).

The taxation of real estate objects in the Russian Federation is defined by the following features:

1) A land tax of a tax base is defined on the basis of the cadastral cost of the land plots;

2) The extreme size of a tax rate on property of the organizations is limited by 2.2;

3) The progressive tax rate at collection of the property tax of natural persons is applied.

4) The tax rate at the taxation of property of private persons is established by annually representative bodies of the power of local government (Legostayeva & Konkarakova, 2016).

4. Purpose of the Study

The main objective of the study is the analysis of modern approaches to the legal regulation of economic relations in the field of property tax, creation a tax efficient mechanism that can be considered as a separate legal institution. Based on the analysis we are going to highlight specific features of taxes, the object of which is real estate.

In the result of the study to propose a single classification of real estate taxes in Russia on various grounds, necessary to conduct a comprehensive analysis of the tax system is proposed for four reasons: by the categories of taxpayers that own, use and dispose of various objects of real estate; by the levels of government in the country; in organizational relation on the objects of taxation; by the physical nature of properties and their functional purpose.

5. Research Methods

Summarizing the views of scientists on the system of real estate taxation, it can be concluded that it represents a set of relations arising between the state and taxpayers regarding the calculation and payment of taxes, the object of which is real estate: property tax of the organizations, property taxes of private persons and land tax.

Taxes, the object of which is the property, have the specific features.

First of all, Real estate taxes are direct, because taxpayers are owners of the real estate objects.

Secondly, property taxes are theoretically defined as real taxes due to the fact that the object of the tax is not income taxpayers, but physical real estate objects.

Thirdly, property taxes are collected on the value of the object in proportional rates (Bezverbnaya, 2015).

We can propose the system of real estate taxes, which can be based on the following:

1. The main group of real estate taxes is formed by the most practically significant subject sign reflecting relations of people (physical–subject-objective relations of ownership persons) and managing units (the enterprises, the organizations) to real estate subjects, i.e. on categories of taxpayers that own, use and dispose of various objects of real estate:

1.1. Taxes are calculated and collected from physical persons. Private persons - payers of real estate are:

▪ relevant tax residents of the Russian Federation – citizens of Russia, foreign citizens and persons without the citizenship, actually being in the territory of the Russian Federation not less than 183 days in a calendar year;

▪ physical persons who are not tax residents of the Russian Federation but receiving incomes from sources (property) located in the Russian Federation.

1.2. Taxes of the organizations–legal organizations established in accordance with the legislation of the Russian Federation and foreign firms (companies), possessing civil legal capacity and established in accordance with the laws of foreign States, international organizations, their branches and representative offices established in the territory of the Russian Federation.

2. Significant economic value in the system of real estate taxation is the classification of taxes by levels of government in the country, on hierarchical levels.

The Tax code of the Russian Federation distinguishes three types of taxes: federal; regional and local. As for real estate taxation, we mark only regional (property tax of the organizations) and local taxes (property taxes of private persons and land tax).

3. In the organizational relation on the objects of taxation, all real estate taxes can be divided into two related but specific features of the variety:

3.1. Taxes on real estate objects like materialized investment capital in the form of property used to satisfy personal needs or run the business, payable periodically throughout the period the property ownership of a private person, as well as of the possession and use of organizations;

3.2. Taxes paid when making real estate transactions of purchase and sale, donation, inheritance, renting or leasing, mortgages, etc.

4. By the physical nature of properties and their functional purpose, there are the following types of taxes: property tax of the organizations, property taxes of private persons and land tax.

6. Findings

The efficiency of the tax system, as well as certain taxes, is a complex concept, largely not amenable to direct quantification. Overall efficiency is the ability of the tax system to fulfil its function. We can recognize a tax system is efficient if it, firstly, provides for the payment of taxes and duties to budgets of all levels, allowing to support main state and municipal functions. Secondly, it contributes to the solution of the key national and other problems. Thirdly, it corresponds with the principles of social justice and equality of citizens (Kotlyarov, Tatarkin, & Sidorova, 2013).

Therefore, the implementation of any reforms in the tax area, especially when it comes to such socially important taxes, which are property taxes, it is necessary to evaluate not only the economic and financial effects of the reforms, but also social ones.

We analyzed the modern approaches to the legal regulation of economic relations in the field of property tax, creation a tax efficient mechanism that can be considered as a separate legal institution. Based on the analysis we highlighted specific features of taxes, the object of which is real estate.

Highlight the main principles to be taken into account in the case of introduction of the united real estate tax: the fiscal sustainability of the territory; creation of incentives for effective ownership; the market value of the property when determining the tax base; understanding real estate tax as a factor of investment attractiveness of the territory and social justice.

7. Conclusion

Thus, the list of taxes, the object of which is real estate, can be combined in the system of real estate taxation, which has functional features, implying a strategic function, principles and elements of communication, taking into account the interests of the subjects of tax relations: the state and taxpayers.

We propose a classification of real estate taxes in Russia on various grounds, necessary to conduct a comprehensive analysis of the tax system is proposed for four reasons: by the categories of taxpayers that own, use and dispose of various objects of real estate; by the levels of government in the country; in organizational relation on the objects of taxation; by the physical nature of properties and their functional purpose.

Furthermore, the proposed classification of real estate taxes can help the development and adoption of documents such as methodology of cadastral appraisal of real estate, methods of check of results of the cadastral valuation of real estate, carrying out work on cadastral valuation of real estate and the content of the state cadastre of real estate.

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