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POSITIONS OF FORMATION AND REGULATION METHODS OF
CORPORATE INCOME TAX

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Abstract

Corporate income tax plays an important role in the Russian taxation system as a tool for redistribution of national profits being one of the main sources of income of federal, regional, and local budgets. The functioning tax system determines necessity and expediency of tax changes and income tax is no exception. Profit taxation generates special budget-oriented interests of the state including factors of general economic interest. The characteristics of corporate income tax are that its large-scale influencing position in tax revenues of the consolidated budget of Russia; growth of the tax potential of income tax allows having an additional component for taxation system regulation. Profits of consolidated budgets of territorial units of Russia are considered. There is a strong belief that the corporate income tax in Russia and in many other foreign countries performs fiscal and regulating functions during support and promotion of both social and investment activities. The authors of the article have made some assumptions. As for the system of taxation, the state cannot be guided by obtaining the maximum tax income from profits if it does not take into account the economic nature of profits. However, in the context, the mechanism of tax regulation will be implemented in an excessive fiscal form. On the other hand, enterprises are designed to timely form appropriate organizational and methodological systems to provide profit management and raise awareness of the conditions and factors of its formation. Profit management is the compulsory factor for getting and increasing various profits.

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1. Introduction

The creation, development and functioning of the system of taxation is a complex process and it cannot be adequately developed unless its criteria, implementation mechanisms and goal-setting are clearly defined. The current purposes of tax bites for the budget of different levels reflect (as a rule) the necessity of formation of their incomes. Clawback payments of a part of the realized income to the budget are carried out in a planned manner and reflect the necessary expediency of it within the state of the income source, which is created by the level of economic development. Unjustified economic clawbacks of a part of the realized income to the budget may be a measure that contradicts the common sense of taxation, no matter how what reasons of budget-oriented expediency are. In our opinion, in contrast to such current unjustified tax clawbacks of income to the budgets, the world practice and Russia's experience have developed and used, firstly, methods of improving the general system of taxation, and secondly, a differentiated approach to the establishment of tax rates, and thirdly, a variety of forms of taxes, if they have a reasonable independent basic source.

The Russian tax system, which was prematurely-developed in 1991, subsequently underwent certain changes, but it also set the conditions for the functioning of the tax system, both in terms of the set of taxes and the level of their values (rates). Having no sufficient economic justification, the rules and regulations of fiscal taxes were not only complicated, but also non-executable to the extent required by the development of the economic system. In other words, the excessive expansion of the specific functions of some taxes and the tax system as a whole resulted in their not being efficient enough since they did not acquire the quality of the stimulating component of economic development, while remaining fiscal. As a consequence, the economy has been "pressed" by rising prices, inflation. Some taxes were initially very high (value added taxes, corporate income taxes, personal income tax) and, as a result, the overall burden of taxes on the economy and its revenues was tremendously hard.

Corporate income tax in the system of taxation in Russia is one of the most important taxes, which provides high income both for the Federal budget and for the budgets of the territorial units of the country. It is an effective tool for income redistribution and macroeconomic management, with significant potential for influencing interregional resource allocation. Taxation of profits of business entities is of great importance not only for the state, but also for individual enterprises. Corporate income tax is one of the main sources of profits of the Federal and regional budgets. On the other hand, it is a core element in the system taxation of enterprises and organizations.

As for organizations (enterprises), income tax (corporate income tax) is payable to the treasury in a mandatory manner, and it is also a part of the realized income provided by activity. The profit that is not realised by the enterprise, needless to say, cannot be taxed by the treasury though such obligations are described by legislative actions. In this context, it is important to emphasize and remember that taxes, as well as the entire tax system of the Russian Federation, are a tool for managing the economy and its revenues.

The adopted and implemented tax legislation, as a rule, is guided (as it should be) by the principles of formation of the budget policy, and within its framework the role of taxes, the system of taxation, its opportunities for changes are determined (Tax Code, 2018). The functioning system of taxation "predicts"

the necessity and expediency of tax changes (tax rates, their distribution to different budgets, etc.). Income tax is no exception.

Any of the taxes established by the legislation is important for the state, but their degree (importance) is determined by the specifics of the tax base, the method of implementation in economic practice. It stands to reason that the profit of the organization (enterprises) stands out in such a capacity. "The process of forming the norms of budget and tax legislation has revealed the special relevance of the issue of calculation of income tax and the mechanism of its collection". There is no doubt that budgets are directly proportional to tax revenues in general and to income derived from corporate income tax, in particular in the context of market relations in the Russian Federation" (Roshchupkina, 2015).

2. Problem Statement

Profits are special income that plays the most significant role in the economic practice. Non-profit activities can be defined on a case-by-case basis and during certain periods of business operations, but they must also be economically justified. If the company carries out its activities for a long period in a non-profit way, it will be loss-making relative to its expenses (production costs). In other circumstances, it may go bankrupt and disappear from the field of economic activity.

Profit taxation generates special budget-oriented interests of the state while it cannot ignore the factors of general economic interest. In addition, we must add there is a need to take into account the consolidated interests in the functioning tax system. It is unacceptable that the taxation of profits overlaps those tax revenues that are rationally and economically soundly taxed to the budgets. This practice will sooner or later harm the economy and contribute to the destructive processes of the functioning tax system. Different scales of influence on the processes may take place (under the influence of different taxes), but the specifics of the income tax should be taken into account comprehensively and in a dynamic way.

3. Research Questions

The above mentioned considerations will inevitably increase the following characteristics of the tax on profit of organizations (enterprises).

First, that is its large-scale influencing position in tax revenues of the consolidated budget of the Russian Federation. In 2013, the revenues amounted to 8165,1 billion roubles, including the tax on profit of organizations 1719,7 billion roubles; in 2014, respectively the profit was 8905,7 1964,0 billion; in 2015 it was 9308,2 billion 2107,6 billion roubles; in 2016 – 9923,8 and 2279,3 billion RUB. This dynamic positioning in the composition of budget revenues is of paramount importance both in terms of their structuring (income) and increasing opportunities for the implementation and development of budget objectives.

Secondly, the growth of the tax potential of the income tax is an additional component for the regulation of the tax system. In countries with developed market economy regulating the value of income tax is dominating, while in Russia it is the fiscal function (Imanshapieva & Musaeva, 2018). We will specify that it is a question of additional opportunities of regulation of both the profit derived from this tax (that is important) and other tax revenues for the treasury.

Budget spending of tax revenues cannot be a determinant of all the characteristics of the indicators that form taxes. In any case, it does not have to be that way. The mechanism of formation of taxes reflects a variety of influencing factors. It seems that the main thing is to specify: what the economy is capable of within taxation, and what step cannot be taken. To put pressure on the economy by means of taxation and to force it to provide considerable income is a failure. It is often evidenced by the low level of tax collection and tax violations, holding income back, failures to declare income, etc.

With this in mind, it is necessary to focus on the specific features of the positions of corporate income tax and its regulatory role. "The state has the most effective impact on the development of the economy. Scientists have repeatedly recognized that among other taxes of the system of taxation, the corporate income tax has the greatest regulatory impact on the activities of economic entities" (Malis & Gorokhova, 2014). As for the qualitative characteristic of the income tax, it is necessary to remember that the income derived from the tax goes both to the federal budget system and to regional budget system of territorial units of the Russian Federation (Kolchugin, 2017). However, regional budgets are given a bigger part from the source.

Let us consider the revenues of the consolidated budget of one of the territorial units of the Russian Federation. Total revenues of the consolidated budget of Chechen Republic as dated 01.01.2018 is 77477.4 million roubles, including: uncompensated receipts – 62278.0 million roubles (80.4% of budget revenues), tax and non-tax revenues are 15199.4 million roubles (19.6% of budget revenues).

In 2017 compared to 2016, the revenues of the consolidated budget of Chechen Republic increased by 7.5%. Uncompensated receipts increased by 10.1%, tax and non-tax revenues decreased by 1.9%.

Total tax and non-tax revenues:

- personal income tax equals to 8886.1 million roubles. It decreased by 75.0 million roubles or 0.8 % when compared to the same period in 2016;
- corporate property tax equals to 1959.8 million roubles. It decreased in comparison with the same period in 2016 by 154.8 million roubles or 7.3%;
- corporate income tax is equal to 747.8 million roubles. It increased by 105.2 million roubles or 16.4 % compared to the same period in 2016;
- the transport tax equals 283.3 million roubles. It increased in comparison with the similar period of 2016 by 121,0 million roubles or 74.5%.

Documentary stamp duty reached 86,7 million roubles in 2017. It increased in comparison with the year of 2016 to 1.6 million roubles, or by 1.8%.

In general, the volume of expenses of the consolidated budget of Chechen Republic amounted to 77116.6 million roubles in 2017, and in comparison to the same period in 2016 the expenses increased by 5868.9 million roubles or 8.2%.

In the consolidated budget on tax and non-tax revenues in 2017 (Rosstat, 2017), the main relative share belongs to such taxes as: the personal income tax – 57.6%; the property tax - 16.6%, the excise tax - 12.7%. They account for 86.9% of the total tax and non-tax revenues of the consolidated budget of Chechen Republic in 2017.

In accordance with the resolution of the government of Chechen Republic dated December 5, 2016 №178 "on the main tendencies of the budget policy and the main tendencies of the tax policy of Chechen

Republic in 2017 and the scheduling period from 2018 to 2019", the priority for the region in the field of tax policy was to maintain a balance of the consolidated budget of Chechen Republic by means of providing the adequate level of budget revenues of the budget system of Chechen Republic.

By all means, tax revenues play an important role in the provision of regional budgets of territorial units of the Russian Federation. But the role of corporate income tax in various regions of the country is different. In 2017 the Balanced financial result of activity of the organizations of Chechen Republic showed the negative income in the amount of 11375 million RUB (Chechenstat, 2018).

The order of distribution of the tax income derived from the corporate income tax between budgets of different levels of the state-funded system is put in the system of rates of this tax. It is known that the corporate income tax rate is 20%. 2% of them went to the Federal budget until January 1, 2017, 18% to the regional budgets of territorial units of the Russian Federation, while the specified tax rate cannot be lower than 13.5% as it is an advantageous rate. In each specific case, and the corporate income tax is no exception, the problem of the tax rate, which cannot be correctly determined and established in the system of tax payments, should be further coordinated with the general requirements of the effective functioning of the tax system. If the latter fails and does not work properly within the economy, financial and budget-oriented stability, then it is necessary to turn to the problems of the system of taxation itself.

Since 01.01.2017, according to the Federal Law "On amendments to parts one and two of the Tax Code of the Russian Federation and some legislative acts of the Russian Federation" dated 30.11.2016 N 401-Ф3, 3% of the corporate income tax is to be credited to the federal budget, and 17% to the budgets of the territorial units of the Russian Federation (Federal Law, 2016). The tax rate has been kept, the changes have affected the distribution of funds between the budgets of different levels of the budget system. This will allow to replenish the federal budget at the expense of corporate income tax by 1% more than before, while revenues of regional budgets will be reduced by 1% respectively. This procedure is provided until 2020.

In accordance with the regional legislation, organizations that are parties of special investment contracts gained with the authorized bodies in the regions have the right to the advantageous rate (13.5%) in some territorial units of the country. By all means, such changes in the taxation of profits are stimulating and do not weaken the general economic and budget interests to the tax (in the general sense). In this situation, corporate income tax provides an average of thirty percent of revenues of the consolidated budgets of the territorial units of the Russian Federation and about ten percent of the federal budget.

It is important to emphasize that the corporate income tax in Russia and in many other foreign countries with market-oriented economies performs both a fiscal and regulating functions in the process of support and promotion of both social and investment activities. We can recall how promptly the Russian authorities reacted to the global financial crisis of 2008, which had a negative impact on the Russian economy. The Federal Law dated 26 November 2008 was adopted. N224-Ф3 "On amendments to part one and part two of the Tax Code of the Russian Federation and some legislative acts of the Russian Federation" (Federal Law, 2008) in order to support Russian enterprises. The corporate income tax rate was reduced by 4% from 24% to 20%. This measure had a positive impact on the development of the country's economy, reducing the tax burden for economic entities. Due to this in 2014 budget revenues reached the pre-crisis period.

4. Purpose of the Study

The article is aimed at determining the role of income tax in the Russian system of taxation and at reasoning the necessity and expediency of tax changes, taking into consideration the fact that the income tax provides the special budget-oriented interests of the state. The research involves the allocation of the most important characteristics of corporate income tax and determining the positions of importance of some functions of the tax.

5. Research Methods

The methodological background of the research is a set of general scientific (analysis, synthesis, induction, deduction, analogy) methods and modern methods of economic analysis. Monographic, computational-constructive, abstract-logical, analytical, statistical methods are used as research methods. Within the research the regulatory framework and works of Russian authors are used.

6. Findings

As it was stated, it should always be taken into account that there may be different kinds of changes in taxation, both structural and content changes. They are significant from the point of view of tax regulation and management of tax practice. If the changes contribute to economic and social development, then the practice is justified. The problem of industrial development is extremely important as corporate income taxes are dependent on the process. Income taxes are referred to direct taxes and any changes in their value in the system of taxation can affect the quality of the financial performance of enterprises to a certain extent. We pointed out that the profit realized by the enterprise is directly dependent on the production costs (the difference between expenses and income).

By all means, the realized profit is influenced by many factors of different nature and content, but it is impacted by the emerging costs of enterprises. The vast majority of experts estimate that in the conditions of market economy profitability of enterprises provides both their interests and those of the state. In this capacity, there is a mutual relation between the profit and taxation conditions. Both enterprises and the state are economically interested in the growth of profits and in taxing incomes by the treasury. The analysis of working activities of enterprises is important in contrast to the methods of strengthening fiscal basis only for taxing incomes by the treasury. The objectives of the system of taxation are usually basic and they should not be understood in a narrow fiscal way: to tax more incomes or to reduce taxes. The most important things are the impact of the functioning system of taxation on increasing income in the economy (through stimulation or disincentive), the distribution of income (through exploring the principle of uniformity), the improvement of the employment situation and prevention of speculative price promotion. These issues can be solved by the tax system to a certain extent, and its requirements are implemented through the mechanisms and tools that the state uses to regulate tax and budget-oriented relations.

The profitability of the enterprise based on the increase in the output and sale of commodity products requires tax incentives so that not to constrain economic interests. The relevance of the analysis of both general economic problems and the system of taxation is emphasized by many economists and we share their opinion (Dobrodomova & Kozhevnikov, 2015). The excessive fiscal basis for taxing incomes for the treasury (without taking into account the above characteristics and profit content) will undoubtedly have a

negative impact on the economic and financial activities of enterprises. We consider it fair to conclude that every producer of goods and services is economically interested in the question: what volume of the produced (sold) goods or services at a certain price makes it possible to get more profit.

7. Conclusion

As for the system of taxation, the state cannot focus on obtaining the maximum tax income from the profit if it does not take into account the economic nature of the profit since the mechanism of tax regulation will be implemented in an excessive fiscal form. And it is required for enterprises to find a comprehensive analytical approach to the profit and methods of its taxation. Enterprises are designed (by the economy and its requirements) to provide appropriate organizational and methodological systems to ensure profit management, to be aware of the conditions and factors of its formation in a timely manner. Profit management is not the factor for obtaining profits only but it is a way to increase them.

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